

Financial Statements

2014 -15

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Shoalhaven City Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2015

*We will work together in the Shoalhaven to foster
a safe and attractive community for people to live, work, stay and play;
where sustainable growth, development and environmental protection
are managed to provide a unique and relaxed lifestyle.*

Shoalhaven
City Council

Shoalhaven City Council

General Purpose Financial Statements

for the financial year ended 30 June 2015

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Shoalhaven City Council.
- (ii) Shoalhaven City Council is a body politic of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.

Council's Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services & facilities, and to carry out activities appropriate to the current & future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

A description of the nature of Council's operations and its principal activities are provided in Note 2(b).

- (iii) All figures presented in these financial statements are presented in Australian Currency.
- (iv) These financial statements were authorised for issue by the Council on 28 October 2015. Council has the power to amend and reissue these financial statements.
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Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their Council & Community.

What you will find in the Statements

The financial statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2015.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting & reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

About the Councillor/Management Statement

The financial statements must be certified by Senior staff as "presenting fairly" the Council's financial results for the year, and are required to be adopted by Council - ensuring both responsibility for & ownership of the financial statements.

About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income & expenses.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair values of Council's Infrastructure, Property, Plant & Equipment.

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its Assets, Liabilities & "Net Wealth".

4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "Net Wealth".

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

About the Notes to the Financial Statements

The Notes to the financial statements provide greater detail and additional information on the 5 primary financial statements.

About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialize in Local Government).

In NSW, the Auditor provides 2 audit reports:

1. An opinion on whether the financial statements present fairly the Council's financial performance & position, &
2. Their observations on the conduct of the Audit including commentary on the Council's financial performance & financial position.

Who uses the Financial Statements ?

The financial statements are publicly available documents & must be presented at a Council meeting between 7 days & 5 weeks after the date of the Audit Report.

Submissions from the public can be made to Council up to 7 days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

Shoalhaven City Council

General Purpose Financial Statements for the financial year ended 30 June 2015

Statement by Councillors and Management made pursuant to Section 413(2)(c) of the Local Government Act 1993 (as amended)

The attached General Purpose Financial Statements have been prepared in accordance with:

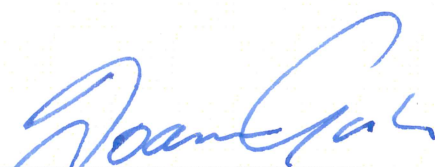
- The Local Government Act 1993 (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

To the best of our knowledge and belief, these Financial Statements:

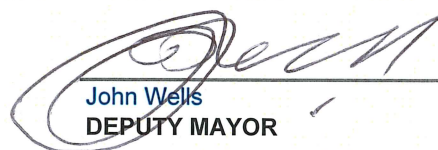
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

We are not aware of any matter that would render the Reports false or misleading in any way.

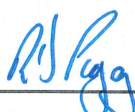
Signed in accordance with a resolution of Council made on 27/10/015.



Joanna Gash
MAYOR



John Wells
DEPUTY MAYOR



Russ Pigg
GENERAL MANAGER



Pamela Gokgur
RESPONSIBLE ACCOUNTING OFFICER

Shoalhaven City Council

Income Statement

for the financial year ended 30 June 2015

Budget ¹ 2015	\$ '000	Notes	Actual 2015	Actual 2014
Income from Continuing Operations				
Revenue:				
112,056	Rates & Annual Charges	3a	111,460	107,053
57,607	User Charges & Fees	3b	58,676	56,591
3,474	Interest & Investment Revenue	3c	5,765	5,786
899	Other Revenues	3d	3,799	3,805
19,079	Grants & Contributions provided for Operating Purposes	3e,f	20,178	14,671 ²
12,018	Grants & Contributions provided for Capital Purposes	3e,f	31,246	16,544
Other Income:				
-	Net gains from the disposal of assets	5	-	1,002
-	Net Share of interests in Joint Ventures & Associates using the equity method	19	-	-
<u>205,133</u>	Total Income from Continuing Operations		<u>231,124</u>	<u>205,452</u>
Expenses from Continuing Operations				
60,191	Employee Benefits & On-Costs	4a	59,851	63,213
4,468	Borrowing Costs	4b	4,292	4,658
53,024	Materials & Contracts	4c	43,221	41,098
55,644	Depreciation & Amortisation	4d	54,062	55,798
-	Impairment	4d	-	-
25,754	Other Expenses	4e	26,103	25,965
-	Net Losses from the Disposal of Assets	5	3,478	-
<u>199,081</u>	Total Expenses from Continuing Operations		<u>191,007</u>	<u>190,732</u>
<u>6,052</u>	Operating Result from Continuing Operations		<u>40,117</u>	<u>14,720</u>
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
<u>6,052</u>	Net Operating Result for the Year		<u>40,117</u>	<u>14,720</u>
6,052	Net Operating Result attributable to Council		40,117	14,720
-	Net Operating Result attributable to Non-controlling Interests		-	-
<u>(5,966)</u>	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		<u>8,871</u>	<u>(1,824)</u>

¹ Original Budget as approved by Council - refer Note 16

² Financial Assistance Grants for 13/14 were lower reflecting a one off timing difference due to a change in how the grant was paid in prior years - refer Note 3 (e)

Shoalhaven City Council

Statement of Comprehensive Income

for the financial year ended 30 June 2015

\$ '000	Notes	Actual 2015	Actual 2014
Net Operating Result for the year (as per Income statement)		40,117	14,720
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	149,241	29,950
Total Items which will not be reclassified subsequently to the Operating Result		149,241	29,950
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Other Movements in reserves - inclusion of Management Committees Retained Earnings	20b (ii)	115	-
Total Items which will be reclassified subsequently to the Operating Result when specific conditions are met		115	-
Total Other Comprehensive Income for the year		149,356	29,950
Total Comprehensive Income for the Year		189,473	44,670
Total Comprehensive Income attributable to Council		189,473	44,670
Total Comprehensive Income attributable to Non-controlling Interests		-	-

Shoalhaven City Council

Statement of Financial Position
as at 30 June 2015

\$ '000	Notes	Actual 2015	Actual 2014
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	22,943	14,237
Investments	6b	60,714	60,432
Receivables	7	24,382	21,247
Inventories	8	2,285	679
Other	8	370	393
Non-current assets classified as "held for sale"	22	1,314	-
Total Current Assets		112,008	96,988
Non-Current Assets			
Investments	6b	50,920	44,000
Receivables	7	6,310	6,232
Inventories	8	8,165	8,104
Infrastructure, Property, Plant & Equipment	9	2,509,780	2,348,568
Investments accounted for using the equity method	19	-	-
Investment Property	14	1,435	1,435
Intangible Assets	25	-	-
Total Non-Current Assets		2,576,610	2,408,339
TOTAL ASSETS		2,688,618	2,505,327
LIABILITIES			
Current Liabilities			
Payables	10	21,324	20,817
Borrowings	10	9,483	9,786
Provisions	10	26,452	29,980
Total Current Liabilities		57,259	60,583
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	58,407	59,974
Provisions	10	3,105	4,396
Total Non-Current Liabilities		61,512	64,370
TOTAL LIABILITIES		118,771	124,953
Net Assets		2,569,847	2,380,374
EQUITY			
Retained Earnings	20	1,359,446	1,318,517
Revaluation Reserves	20	1,210,401	1,061,857
Total Equity		2,569,847	2,380,374

Shoalhaven City Council

Statement of Changes in Equity
for the financial year ended 30 June 2015

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2015						
Opening Balance (as per Last Year's Audited Accounts)		1,318,517	1,061,857	2,380,374	-	2,380,374
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/14)		1,318,517	1,061,857	2,380,374	-	2,380,374
c. Net Operating Result for the Year		40,117	-	40,117	-	40,117
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	149,241	149,241	-	149,241
- Other Movements - inclusion of Management Committees Retained Earnings	20a	115	-	115	-	115
Other Comprehensive Income		115	149,241	149,356	-	149,356
Total Comprehensive Income (c&d)		40,232	149,241	189,473	-	189,473
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		697	(697)	-	-	-
Equity - Balance at end of the reporting period		1,359,446	1,210,401	2,569,847	-	2,569,847
2014						
Opening Balance (as per Last Year's Audited Accounts)		1,303,688	1,031,907	2,335,595	-	2,335,595
a. Correction of Prior Period Errors	20 (c)	109	-	109	-	109
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/13)		1,303,797	1,031,907	2,335,704	-	2,335,704
c. Net Operating Result for the Year		14,720	-	14,720	-	14,720
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	29,950	29,950	-	29,950
Other Comprehensive Income		-	29,950	29,950	-	29,950
Total Comprehensive Income (c&d)		14,720	29,950	44,670	-	44,670
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		1,318,517	1,061,857	2,380,374	-	2,380,374

Shoalhaven City Council

Statement of Cash Flows

for the financial year ended 30 June 2015

Budget 2015	\$ '000	Notes	Actual 2015	Actual 2014
Cash Flows from Operating Activities				
Receipts:				
111,920	Rates & Annual Charges		110,882	107,154
57,607	User Charges & Fees		58,427	60,789
4,237	Investment & Interest Revenue Received		5,080	5,016
31,096	Grants & Contributions		39,790	25,982
-	Bonds, Deposits & Retention amounts received		194	497
899	Other		2,648	5,295
Payments:				
(60,191)	Employee Benefits & On-Costs		(63,294)	(64,736)
(50,910)	Materials & Contracts		(45,178)	(40,215)
(5,232)	Borrowing Costs		(4,181)	(4,537)
-	Bonds, Deposits & Retention amounts refunded		-	(667)
(25,754)	Other		(26,103)	(24,333)
63,672	Net Cash provided (or used in) Operating Activities	11b	78,265	70,245
Cash Flows from Investing Activities				
Receipts:				
24,900	Sale of Investment Securities		113,653	322,081
1,300	Sale of Real Estate Assets		420	1,785
2,181	Sale of Infrastructure, Property, Plant & Equipment		4,007	2,098
-	Deferred Debtors Receipts		5,124	273
1,290	Other Investing Activity Receipts		-	-
Payments:				
-	Purchase of Investment Securities		(120,749)	(327,464)
(90,275)	Purchase of Infrastructure, Property, Plant & Equipment		(68,913)	(69,279)
(2,233)	Purchase of Real Estate Assets		(1,186)	(355)
(62,837)	Net Cash provided (or used in) Investing Activities		(67,644)	(70,861)
Cash Flows from Financing Activities				
Receipts:				
13,502	Proceeds from Borrowings & Advances		7,873	6,836
Payments:				
(9,754)	Repayment of Borrowings & Advances		(9,788)	(9,690)
3,748	Net Cash Flow provided (used in) Financing Activities		(1,915)	(2,854)
4,583	Net Increase/(Decrease) in Cash & Cash Equivalents		8,706	(3,470)
13,264	plus: Cash & Cash Equivalents - beginning of year	11a	14,237	17,707
17,847	Cash & Cash Equivalents - end of the year	11a	22,943	14,237

Please refer to Note 11 for additional cash flow information

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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n/a - not applicable

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below in order to assist in its general understanding.

Under Australian Accounting Standards (AASBs), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial statements.

(a) Basis of preparation

(i) Background

These financial statements are general purpose financial statements which have been prepared in accordance with;

- Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board,
- the Local Government Act (1993) & Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

For the purpose of preparing these financial statements, Council has been deemed to be a not-for-profit entity.

(ii) Compliance with International Financial Reporting Standards (IFRSs)

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the Not-For-Profit sector (including Local Government) which are not in compliance with IFRS's, or
- (b) specifically exclude application by Not for Profit entities.

Accordingly in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

Under the Local Government Act (LGA), Regulations and Local Government Code of Accounting Practice & Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with AASBs.

(iii) New and amended standards adopted by Council

During the current year, the following relevant accounting standards became mandatory and have been adopted by Council:

- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Disclosures of Interests in Other Entities

AASB 10 introduced a new definition of control based on the substance of the relationship and required Councils to consider their involvement with other entities regardless of whether there was a financial interest.

AASB 11 classified joint arrangements into either joint ventures (equity accounting) or joint operations (accounting for share of assets and liabilities).

AASB 12 has increased the level of disclosures required where Council has any interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities.

Council will be including it's S355 Management Committees in these statements.

(iv) Early adoption of Accounting Standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2014.

Refer further to paragraph (ab) relating to a summary of the effects of Standards with future operative dates.

(v) Basis of Accounting

These financial statements have been prepared under the **historical cost convention** except for:

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

sale financial assets which are all valued at fair value,

- (ii) the write down of any Asset on the basis of Impairment (if warranted) and
- (iii) certain classes of non current assets (eg. Infrastructure, Property, Plant & Equipment and Investment Property) that are accounted for at fair valuation.

The accrual basis of accounting has also been applied in their preparation.

(vi) Changes in Accounting Policies

Council's accounting policies have been consistently applied to all the years presented, unless otherwise stated.

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated [refer Note 20(d)].

(vii) Critical Accounting Estimates

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASBs).

Accordingly this requires management to exercise its judgement in the process of applying the Council's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on Council and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

- (i) Estimated fair values of investment properties
- (ii) Estimated fair values of infrastructure, property, plant and equipment.
- (iii) Estimated remediation provisions.

Critical judgements in applying Council's accounting policies

- (i) Impairment of Receivables - Council has made a significant judgement about the impairment of a number of its receivables in Note 7.
- (ii) Projected Section 94 Commitments - Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.

(b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to it and specific criteria have been met for each of the Council's activities as described below.

Council bases any estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues when the Council obtains control over the assets comprising these receipts.

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

Control over granted assets is normally obtained upon their receipt (or acquittal) or upon earlier

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

notification that a grant has been secured, and is valued at their fair value at the date of transfer.

Revenue from Contributions is recognised when the Council either obtains control of the contribution or the right to receive it, **(i)** it is probable that the economic benefits comprising the contribution will flow to the Council and **(ii)** the amount of the contribution can be measured reliably.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3(g).

Note 3(g) also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of S94 of the EPA Act 1979.

Whilst Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon their physical receipt by Council, due to the possibility that individual Development Consents may not be acted upon by the applicant and accordingly would not be payable to Council.

Developer contributions may only be expended for the purposes for which the contributions were required but the Council may apply contributions according to the priorities established in work schedules.

A detailed Note relating to developer contributions can be found at Note 17.

User Charges, Fees and Other Income

User charges, fees and other income (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

A provision for the impairment of these receivables is recognised when collection in full is no longer probable.

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided as at balance date.

Sale of Infrastructure, Property, Plant and Equipment

The profit or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer.

Interest and Rents

Rental income is accounted for on a straight-line basis over the lease term.

Interest Income from Cash & Investments is accounted for using the effective interest rate at the date that interest is earned.

Dividend Income

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

Other Income

Other income is recorded when the payment is due, the value of the payment is notified or the payment is received, whichever occurs first.

(c) Principles of Consolidation

These financial statements incorporate **(i)** the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30 June 2015) and **(ii)** all the related operating results (for the financial year ended the 30th June 2015).

Detailed information relating to the entities that Council Controls can be found at Note 19 (a).

In the process of reporting on Council's activities as a single unit, all inter-entity year end balances and reporting period transactions have been eliminated in full between Council and its controlled entities.

(i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's Consolidated Fund

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

unless it is required to be held in the Council's Trust Fund.

The Consolidated Fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

The following entities have been included as part of the Consolidated Fund:

- *General Purpose Operations*
- *Water Supply*
- *Sewer Service*
- *Domestic Waste Services*
- *Southern Water Services*
- *Council's S355 Management Committees*

(ii) The Trust Fund

In accordance with the provisions of Section 411 of the Local Government Act 1993 (as amended), a separate and distinct Trust Fund is maintained to account for all money and property received by the Council in trust which must be applied only for the purposes of or in accordance with the trusts relating to those monies.

Trust monies and property subject to Council's control have been included in these statements.

Trust monies and property held by Council but not subject to the control of Council, have been excluded from these statements.

A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

(iii) Joint Arrangements

Council has no interest in any Joint Arrangements.

(iv) Associates

Council has no interest in any Associates.

(v) County Councils

Council is not a member of any County Councils.

(vi) Unconsolidated Structured Entities

Council has no interest in any Unconsolidated Structured Entities.

(d) Leases

All Leases entered into by Council are reviewed and classified on inception date as either a Finance Lease or an Operating Lease.

Finance Leases

Council does not have any finance leases.

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(e) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, cash and cash equivalents includes;

- cash **on hand**,
- deposits held **at call** with financial institutions,
- other short-term, highly liquid investments **with original maturities of three months or less** that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into Cash & Cash Equivalents for presentation of the Cash Flow Statement.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(f) Investments and Other Financial Assets

Council (in accordance with AASB 139) classifies each of its investments into one of the following categories for measurement purposes:

- **financial assets at fair value through profit or loss,**
- **loans and receivables,**
- **held-to-maturity investments,** and
- **available-for-sale financial assets.**

Each classification depends on the purpose/intention for which the investment was acquired & at the time it was acquired.

Management determines each Investment classification at the time of initial recognition and re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are "held for trading".

A financial asset is classified in the "held for trading" category if it is acquired principally for the purpose of selling in the short term.

Assets in this category are primarily classified as current assets as they are primarily held for trading &/or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity.

In contrast to the "Loans & Receivables" classification, these investments are generally quoted in an active market.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Investments must be designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Accordingly, this classification principally comprises marketable equity securities, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

They are generally included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date or the term to maturity from the reporting date is less than 12 months.

Financial Assets – Reclassification

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

Council may also choose to reclassify financial assets that would meet the definition of loans and

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at "fair value through profit or loss", directly attributable transactions costs

Purchases and sales of investments are recognised on trade-date - the date on which the Council commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all the risks and rewards of ownership.

(ii) Subsequent Measurement

Available-for-sale financial assets and **financial assets at fair value through profit and loss** are subsequently carried at fair value.

Loans and receivables and **held-to-maturity** investments are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as "**fair value through profit or loss**" category are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as "**available-for-sale**" are recognised in equity in the available-for-sale investments revaluation reserve.

When securities classified as "**available-for-sale**" are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

If there is evidence of impairment for any of Council's financial assets carried at amortised cost (eg. loans and receivables), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

(iii) Types of Investments

Council has an approved Investment Policy in order to undertake its investment of money in accordance with (and to comply with) Section 625 of the Local Government Act and S212 of the LG (General) Regulation 2005.

Investments are placed and managed in accordance with the Policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order.

Council maintains its investment Policy in compliance with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments that Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

(g) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques.

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

(h) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

Receivables (excluding Rates & Annual Charges) are generally due for settlement no more than 30 days from the date of recognition.

The collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off in accordance with Council's policy.

A provision for impairment (ie. an allowance account) relating to receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of each receivable.

The amount of the provision is the difference between the asset's carrying amount and the present

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

value of estimated future cash flows, discounted at the effective interest rate.

Impairment losses are recognised in the Income Statement within other expenses.

When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

Raw materials and stores, work in progress and finished goods in respect of business undertakings are all stated at the lower of cost and net realisable value.

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories held in respect of non-business undertakings have been valued at cost subject to adjustment for loss of service potential.

Land Held for Resale/Capitalisation of Borrowing Costs

Land held for resale is stated at the lower of cost and net realisable value.

Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development.

When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made.

Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

(j) Infrastructure, Property, Plant and Equipment (I,PP&E)

Acquisition of assets

Council's non current assets are continually revalued (over a 5 year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

At balance date, the following classes of I,PP&E were stated at their Fair Value;

- **Investment Properties** – refer Note 1(p),
- **Water and Sewerage Networks** (Internal Valuation)
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised** (External Valuation)
- **Plant and Equipment** (as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths** (Internal Valuation)
- **Drainage Assets** (Internal Valuation)
- **Bulk Earthworks** (Internal Valuation)
- **Community Land** (Internal Valuation)
- **Land Improvements** (Internal Valuation)
- **Other Structures** (Internal Valuation)
- **Swimming Pools** (Internal Valuation)
- **Other Assets** (Internal Valuation)

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

Initial Recognition

On initial recognition, an assets cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (ie. date of exchange) of the asset to arrive at fair value.

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date - being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Asset Revaluations (including Indexation)

In accounting for Asset Revaluations relating to Infrastructure, Property, Plant & Equipment:

- Increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve.
- To the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss.
- Net decreases that reverse previous increases of the same asset class are first charged against

revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income statement.

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Office of Water - Rates Reference Manual.

For all other assets, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount.

Full revaluations are undertaken for all assets on a 5 year cycle.

Capitalisation Thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following;

Land

- Operational land	100% Capitalised
- Community land	100% Capitalised
- Land under roads (purchases after 30/6/08)	100% Capitalised

Plant & Equipment

Office Furniture	> \$1,000
Office Equipment	> \$1,000
Other Plant & Equipment	> \$2,000

Buildings & Land Improvements

Park Furniture & Equipment	> \$2,000
Building	
- construction/extensions	100% Capitalised
- renovations	> \$2,000
Other Structures	> \$2,000
Land Improvements	> \$2,000

Water & Sewer Assets

All Infrastructure	> \$2,000
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Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

Stormwater Assets

Stormwater Drainage > \$5,000

Transport Assets

Road construction & reconstruction 100% Capitalised
Reseal/Re-sheet & major repairs: > \$2,000

Bridge construction & reconstruction 100% Capitalised

Other Infrastructure Assets

Swimming Pools > \$2,000
Other Open Space/Recreational Assets > \$2,000

Other Infrastructure > \$2,000

- Bus shelters 20 years
- Crash barriers & Fencing 20 to 40 years
- Bridges 40 to 80 years
- Footpaths 35 to 50 years

Water & Sewer Assets

- Various 40 to 100 years

Other Infrastructure Assets

- Other Structures 5 to 50 years
- Depreciable Land Improvements 10 to 50 years
- Swimming Pools 50 years
- Other Open Space/
Recreational Assets 10 to 20 years
- Other Infrastructure 10 to 50 years

Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight line method in order to allocate an assets cost (net of residual values) over its estimated useful life.

Land is not depreciated.

Estimated useful lives for Council's I,PP&E include:

Plant & Equipment

- Office Equipment 10 years
- Office furniture 10 years
- Computer Equipment 4 years
- Vehicles 3 to 5 years
- Heavy Plant/Road Making equip. 6 years
- Other plant and equipment 10 to 30 years

Other Equipment

- Playground equipment 4 to 20 years
- Benches, seats etc 10 to 20 years

Buildings

- Small Buildings (eg. toilet block) 40 years
- Large Buildings : Other 60 years

Stormwater Drainage

- Various 60 to 80 years

Transportation Assets

- Roads and Carpark Pavement 20 to 80 years
- Roads and Carpark Surface 12 to 40 years
- Traffic Facilities 40 years
- Kerb & Gutter 70 years

All asset residual values and useful lives are reviewed and adjusted (if appropriate), at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1(s) on Asset Impairment.

Disposal and De-recognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

(k) Land

Land (other than Land under Roads) is in accordance with Part 2 of Chapter 6 of the Local Government Act (1993) classified as either Operational or Community.

This classification of Land is disclosed in Note 9(a).

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(l) Land under roads

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips.

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051.

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment.

(m) Intangible Assets

Council has not classified any assets as Intangible.

(n) Crown Reserves

Crown Reserves under Council's care and control are not recognised as assets of the Council, as ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating the reserves are recognised within Council's Income Statement.

Representations are currently being sought across State and Local Government to develop a consistent accounting treatment for Crown Reserves across both tiers of government.

(o) Rural Fire Service assets

Under section 119 of the Rural Fires Act 1997, *“all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed”*.

At present, the accounting for such fire fighting equipment is not treated in a consistent manner across all Councils.

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years, which is to include the land and buildings but exclude the other assets.

(p) Investment property

Investment property comprises land &/or buildings that are principally held for long-term rental yields, capital gains or both that is not occupied by Council.

Investment property is carried at fair value, representing an open-market value determined annually by external valuers.

Annual changes in the fair value of Investment Properties are recorded in the Income Statement as part of “Other Income”.

Full revaluations are carried out every three years with an appropriate index utilised or a desktop valuation each year in between the full revaluations.

The last full revaluation for Council's Investment Properties was dated 30/6/2013.

(q) Provisions for close down, restoration and for environmental clean up costs – including Tips and Quarries

Close down, Restoration and Remediation costs include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas.

Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

Costs are estimated on the basis of a closure plan.

The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down, Restoration and Remediation costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations.

Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the income statement in each accounting period.

This amortisation of the discount is disclosed as a borrowing cost in Note 4(b).

Other movements in the provisions for Close down, Restoration and Remediation costs including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment.

These costs are then depreciated over the lives of the assets to which they relate.

Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates.

As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

Specific Information relating to Council's provisions relating to Close down, Restoration and Remediation costs can be found at Note 26.

(r) Non-Current Assets (or Disposal Groups) "Held for Sale" & Discontinued Operations

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either **(i)** their carrying amount and **(ii)** fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles which are turned over on a regular basis. Plant and motor vehicles are retained in Non Current Assets under the classification of Infrastructure, Property, Plant and Equipment - unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

For any assets or disposal groups classified as Non-Current Assets "held for sale", an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

Non-current assets "held for sale" are not depreciated or amortised while they are classified as "held for sale".

Non-current assets classified as "held for sale" are presented separately from the other assets in the balance sheet.

A Discontinued Operation is a component of Council that has been disposed of or is classified as "held for sale" and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the income statement.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(s) Impairment of assets

All Council's I,PP&E is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an asset is not held principally for cash generating purposes (for example Infrastructure Assets) and would be replaced if the Council was deprived of it then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill & other Intangible Assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

(t) Payables

These amounts represent liabilities and include goods and services provided to the Council prior to the end of financial year which are unpaid.

The amounts for goods and services are unsecured and are usually paid within 30 days of recognition.

(u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(v) Borrowing costs

Borrowing costs are expensed except to the extent that they are incurred during the construction of qualifying assets.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

(w) Provisions

Provisions for legal claims, service warranties and other like liabilities are recognised when:

- Council has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in the provision due to the passage of time is recognised as interest expense.

(x) Employee benefits

(i) Short Term Obligations

Short term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be wholly settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

These provisions are measured at the amounts expected to be paid when the liabilities are settled.

All other short-term employee benefit obligations are presented as payables.

Liabilities for non vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no Liability has been recognised in these reports.

Wages & salaries, annual leave and vesting sick leave are all classified as Current Liabilities.

(ii) Other Long Term Obligations

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be wholly settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

These liabilities are measured at the present value of the expected future payments to be made using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Due to the nature of when and how Long Service Leave can be taken, all Long Service Leave for employees with 4 or more years of service has been classified as Current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 4 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

(iii) Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death.

Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans – i.e. as an expense when they become payable.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the “Local Government Superannuation Scheme – Pool B”

This Scheme has been deemed to be a “multi employer fund” for the purposes of AASB 119.

Sufficient information is not available to account for the Scheme as a defined benefit plan (in accordance with AASB 119) because the assets to the scheme are pooled together for all Councils.

The last valuation of the Scheme was performed by Mr Martin Stevenson BSc FIA, FIAA on 20/02/2013.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2015 the prior period deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a) for the year ending 30 June 2015 was \$ 2,227,120,50.

The amount of additional contributions included in the total employer contribution advised above is \$ 1,117,166.04.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$ 1,117,166.04 as at 30 June 2015.

Council’s share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils.

For this reason, no liability for the deficiency has been recognised in these financial statements.

Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

Defined Contribution Plans

Contributions to Defined Contribution Plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Employee Benefit On-Costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits, and in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/06/15.

(y) Self insurance

Council has determined to self-insure for workers compensation.

A provision for self-insurance has been made to recognise outstanding claims the amount of which is detailed in Note 10.

Council also maintains cash and investments to meet expected future claims and these are detailed in Note 6(c).

(z) Allocation between current and non-current assets & liabilities

In the determination of whether an asset or liability is classified as current or non-current, consideration is given to the time when each asset or liability is expected to be settled.

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council’s operational cycle.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months (such as vested long service leave), the liability is classified as current even if not expected to be settled within the next 12 months.

(aa) Taxes

The Council is exempt from both Commonwealth Income Tax and Capital Gains Tax.

Council does however have to comply with both Fringe Benefits Tax, Payroll Tax and Goods and Services Tax (GST).

Goods & Services Tax (GST)

Income, expenses and assets are all recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue / expense.

Receivables and payables within the Balance Sheet are stated inclusive of any applicable GST.

The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the Balance Sheet.

Operating cash flows within the Cash Flow Statement are on a gross basis, ie. they are inclusive of GST where applicable.

Investing and Financing cash flows are treated on a net basis (where recoverable from the ATO), ie. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows which are recoverable from or payable to the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from (or payable to) the ATO.

(ab) New accounting standards and interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2015.

Council has not adopted any of these standards early.

Council's assessment of the impact of these new standards and interpretations is set out below.

Apart from the AASB disclosures below, there are no other standards that are "not yet effective" which are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

Applicable to Local Government:

AASB 9 - Financial Instruments (and associated amending standards)

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- fair value and
- amortised cost (where financial assets will only be able to be measured at amortised cost where very specific conditions are met).

AASB 15 - Revenue from contracts with customers and associated amending standards

AASB 15 will introduce a five step process for revenue recognition with the core principle of the new Standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

Shoalhaven City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

The full impact of AASB 15 has not yet been ascertained or quantified. AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2017.

(ac) Rounding of amounts

Unless otherwise indicated, amounts in the financial statements have been rounded off to the nearest thousand dollars.

(ad) Comparative Figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

(ae) Disclaimer

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 2(a). Council Functions / Activities - Financial Information

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2015	2015	2014	2015	2015	2014	2015	2015	2014	2015	2014	2015	2014
Governance	13	6	5	1,469	1,670	1,254	(1,456)	(1,664)	(1,249)	-	40	(86,014)	9,348
Administration	864	9,152	2,553	37,019	31,441	32,011	(36,155)	(22,289)	(29,458)	208	39	376,265	332,878
Public Order & Safety	2,696	2,755	3,110	2,940	4,487	4,109	(244)	(1,732)	(999)	930	855	35,628	30,630
Health	130	153	139	1,452	1,481	1,313	(1,322)	(1,328)	(1,174)	-	41	11,385	9,787
Environment	28,431	28,089	26,009	30,452	30,838	28,303	(2,021)	(2,749)	(2,294)	2,297	2,838	245,411	210,978
Community Services & Education	1,539	1,859	1,567	2,246	2,548	2,434	(707)	(689)	(867)	1,263	1,303	21,105	18,144
Housing & Community Amenities	2,132	2,634	2,130	6,214	5,731	6,158	(4,082)	(3,097)	(4,028)	23	22	61,463	54,100
Water Supplies	23,327	23,260	22,808	19,716	18,590	18,219	3,611	4,670	4,589	532	517	575,265	541,105
Sewerage Services	41,405	49,866	38,686	23,061	18,997	21,257	18,344	30,869	17,429	1,661	517	675,793	626,988
Recreation & Culture	7,164	9,036	11,097	17,766	20,981	22,102	(10,602)	(11,945)	(11,005)	9,478	139	257,189	223,893
Mining, Manufacturing & Construction	2,423	2,783	2,512	4,816	4,403	4,524	(2,393)	(1,620)	(2,012)	-	-	39,227	33,723
Transport & Communication	3,638	10,344	12,048	32,440	30,571	30,928	(28,802)	(20,227)	(18,880)	6,568	6,998	268,172	230,545
Economic Affairs	20,951	21,878	20,857	18,279	19,269	18,175	2,672	2,609	2,682	218	20	207,729	183,206
Total Functions & Activities	134,713	161,815	143,521	197,870	191,007	190,787	(63,157)	(29,192)	(47,266)	23,178	13,329	2,688,618	2,505,325
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	-	-	-	-	-	-	-	-	-
General Purpose Income ¹	70,418	69,309	61,986	-	-	-	70,418	69,309	61,986	12,580	6,691	-	-
Operating Result from Continuing Operations	205,131	231,124	205,507	197,870	191,007	190,787	7,261	40,117	14,720	35,758	20,020	2,688,618	2,505,325

1. Includes: Rates & Annual Charges (incl. Ex-Gratia), Untied General Purpose Grants & Unrestricted Interest & Investment Income.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 2(b). Council Functions / Activities - Component Descriptions

Details relating to the Council's functions / activities as reported in Note 2(a) are as follows:

GOVERNANCE

Costs relating to the Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance.

ADMINISTRATION

Corporate Support and Other Support Services (not otherwise attributed to the listed functions / activities).

PUBLIC ORDER & SAFETY

Fire protection, animal control, beach control, enforcement of local government regulations, emergency services, other.

HEALTH

Inspection, immunisations, food control, health centres, other, administration.

ENVIRONMENT

Noxious plants and insect/vermin control, other environmental protection, solid waste management, street cleaning, drainage, stormwater management.

COMMUNITY SERVICES & EDUCATION

Administration, family day care, child care, youth services, other family and children, aged and disabled, migrant services, Aboriginal services, other community services, education.

HOUSING & COMMUNITY AMENITIES

Housing, town planning, street lighting, other sanitation and garbage, public cemeteries, public conveniences,

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION & CULTURE

Public libraries, museums, art galleries, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens (lakes), other sport and recreation.

MINING, MANUFACTURING & CONSTRUCTION

Building control, abattoirs, quarries & pits, other.

TRANSPORT & COMMUNICATION

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, aerodromes, parking areas, bus shelters and services, water transport, RMS works, other.

ECONOMIC AFFAIRS

Camping areas, caravan parks, tourism and area promotion, industrial development promotion, saleyards and markets, real estate development, commercial nurseries, other business undertakings.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		47,448	46,145
Farmland		1,847	1,825
Business		4,768	4,678
Total Ordinary Rates		54,063	52,648
Special Rates			
Town Improvement		12	11
Town Planning		150	160
Total Special Rates		162	171
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		15,704	14,782
Stormwater Management Services		1,068	1,058
Water Supply Services		3,941	3,908
Sewerage Services		35,988	33,893
Waste Management Services (non-domestic)		534	593
Total Annual Charges		57,235	54,234
TOTAL RATES & ANNUAL CHARGES		111,460	107,053

Council has used 2015 year valuations provided by the NSW Valuer General in calculating its rates.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		14,654	14,711
Sewerage Services		2,556	2,412
Waste Management Services (non-domestic)		7,611	7,391
Total User Charges		24,821	24,514
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Planning & Building Regulation		2,907	2,850
Private Works - Section 67		1,153	1,418
Section 149 Certificates (EPA Act)		401	390
Section 603 Certificates		298	286
Total Fees & Charges - Statutory/Regulatory		4,759	4,944
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Animal Charges		212	116
Cemeteries		1,507	1,296
Communication Charges		1,146	1,045
Entertainment Centre		1,081	1,051
Family Day Care		208	200
Food Inspection Fees		112	115
Health Licence Fees		102	84
Hire of Council Property		465	252
Leaseback Fees - Council Vehicles		838	791
Library		86	70
Swimming / Leisure Centres		3,581	3,555
Tourism		176	89
Tourist Parks		19,489	18,386
Other		93	83
Total Fees & Charges - Other		29,096	27,133
TOTAL USER CHARGES & FEES		58,676	56,591

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		526	532
- Interest earned on Investments (interest & coupon payment income)		4,653	4,519
- Interest on Deferred Debtors		77	174
- Interest & Dividend Income (Other)		463	407
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		30	143
Amortisation of Premiums & Discounts			
- Interest Free (& Interest Reduced) Loans provided		16	10
Fair Valuation of Financial Liabilities on recognition			
- Interest Free (or favourable) Loans & Advances Received		-	1
TOTAL INTEREST & INVESTMENT REVENUE		<u>5,765</u>	<u>5,786</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		314	327
General Council Cash & Investments		2,352	2,320
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		728	786
- Section 64		402	395
Water Fund Operations		1,134	1,109
Sewerage Fund Operations		577	490
Domestic Waste Management operations		258	359
Total Interest & Investment Revenue Recognised		<u>5,765</u>	<u>5,786</u>

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(d) Other Revenues			
Bad Debts Written Off		-	155
Biobank Management Fee		17	125
Commissions & Agency Fees		65	79
Credit Card Service Fees		106	102
Discounts Received		15	17
Employment Subsidies		28	53
E-Waste Sales		1	13
Fair Value Adjustments - Investment Properties	14	-	85
Fines - Parking		628	663
Fines - Other		384	277
Fuel Tax Credit		566	212
In-house Canteen Charges		84	160
Insurance Claim Recoveries		181	130
Legal Fees Recovery - Rates & Charges (Extra Charges)		199	214
Legal Fees Recovery - Other		34	36
Library - Other Councils		101	106
Miscellaneous Sales		9	8
Rental Income - Investment Properties	14	131	138
Rental Income - Other Council Properties		805	787
Waste Levy Refunds		231	262
Other		214	183
<u>TOTAL OTHER REVENUE</u>		<u>3,799</u>	<u>3,805</u>

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	2015 Operating	2014 Operating	2015 Capital	2014 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance - General Component	1 8,248	3,986	-	-
Financial Assistance - Local Roads Component	1 3,131	1,545	-	-
Pensioners' Rates Subsidies - General Component	1,201	1,160	-	-
Total General Purpose	12,580	6,691	-	-
¹ The Financial Assistance Grant for the comparative 13/14 year reflects a one off timing difference (reduction). This grant ceased being paid in advance in the 13/14 year by up to 50% as had occurred in previous years.				
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	532	517	-	-
- Sewerage	521	517	-	-
- Domestic Waste Management	427	406	-	-
Sewerage Services	-	-	8,502	-
Community Care	1,298	1,311	280	-
Economic Development	20	-	1,306	-
Environmental Protection	829	668	716	51
Heritage & Cultural	35	5	5	-
Library	262	259	-	-
NSW Rural Fire Services	608	826	82	981
Recreation & Culture	-	-	854	92
Street Lighting	239	78	-	-
Transport (Other Roads & Bridges Funding)	30	294	6,180	7,081
Other	326	184	126	59
Total Specific Purpose	5,127	5,065	18,051	8,264
Total Grants	17,707	11,756	18,051	8,264
Grant Revenue is attributable to:				
- Commonwealth Funding	12,608	6,812	1,261	1,396
- State Funding	5,027	4,900	16,790	6,828
- Other Funding	72	44	-	40
	17,707	11,756	18,051	8,264

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	2015 Operating	2014 Operating	2015 Capital	2014 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 94 - Contributions towards amenities/services	-	-	2,740	2,070
S 64 - Water Supply Contributions	-	-	1,183	876
S 64 - Sewerage Service Contributions	-	-	1,425	1,087
Total Developer Contributions	17 -	-	5,348	4,033
Other Contributions:				
Bushfire Services	-	-	-	14
Dedications (other than by S94)	-	-	287	-
Kerb & Gutter	-	-	23	82
Other Emergency Event	102	888	-	-
Recreation & Culture	28	56	552	54
Roads & Bridges	158	76	23	25
RMS Contributions (Regional Roads, Block Grant)	2,133	1,816	269	171
Sewerage (excl. Section 64 contributions)	-	-	2,583	-
Subdivider Dedications - Land Under Roads	-	-	-	3,888
Water Supplies (excl. Section 64 contributions)	-	-	3,991	-
Other	50	79	119	13
Total Other Contributions	2,471	2,915	7,847	4,247
Total Contributions	2,471	2,915	13,195	8,280
TOTAL GRANTS & CONTRIBUTIONS	20,178	14,671	31,246	16,544

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	Actual 2015	Actual 2014
(g) Restrictions relating to Grants and Contributions		
Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the Close of the Previous Reporting Period	29,637	27,625
add: Grants & contributions recognised in the current period but not yet spent:	8,083	5,891
less: Grants & contributions recognised in a previous reporting period now spent:	(2,565)	(3,879)
Net Increase (Decrease) in Restricted Assets during the Period	5,518	2,012
Unexpended and held as Restricted Assets	35,155	29,637
Comprising:		
- Specific Purpose Unexpended Grants	1,804	582
- Developer Contributions	33,351	29,055
	35,155	29,637

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
(a) Employee Benefits & On-Costs			
Salaries and Wages		47,354	51,053
Employee Termination Costs		463	1,030
Travelling		28	32
Employee Leave Entitlements (ELE)		7,039	6,183
Superannuation		6,852	6,679
Workers' Compensation Insurance		(401)	(22)
Fringe Benefit Tax (FBT)		262	227
Payroll Tax		961	949
Training Costs (other than Salaries & Wages)		734	696
Other		64	53
Total Employee Costs		63,356	66,880
less: Capitalised Costs		(3,505)	(3,667)
TOTAL EMPLOYEE COSTS EXPENSED		59,851	63,213
Number of "Equivalent Full Time" Employees at year end		756	759
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		4,073	4,379
Interest on Advances		75	105
Total Interest Bearing Liability Costs Expensed		4,148	4,484
(ii) Other Borrowing Costs			
Fair Value Adjustment on Loans (to Council)		45	64
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	99	110
Total Other Borrowing Costs		144	174
TOTAL BORROWING COSTS EXPENSED		4,292	4,658

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(c) Materials & Contracts			
Raw Materials & Consumables		7,046	5,961
Contractor & Consultancy Costs		33,450	32,050
Auditors Remuneration ⁽¹⁾		88	88
Legal Expenses:			
- Legal Expenses: Planning & Development		186	161
- Legal Expenses: Debt Recovery		231	243
- Legal Expenses: Other		144	73
Operating Leases:			
- Operating Lease Rentals: Buildings ⁽²⁾		42	39
- Operating Lease Rentals: Other ⁽²⁾		4	6
Fuel		2,030	2,477
TOTAL MATERIALS & CONTRACTS		43,221	41,098
1. Auditor Remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
(i) Audit and Other Assurance Services			
- Audit & review of financial statements: Council's Auditor		74	84
- Other audit & assurance services (Grant Acquittals)		-	1
Remuneration for audit and other assurance services		74	85
(ii) Other Services			
- Other Services (Audit Committee)		14	3
Remuneration for other services		14	3
Total Auditor Remuneration		88	88
2. Operating Lease Payments are attributable to:			
Buildings		42	39
Other		4	6
		46	45

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2015	Actual 2014	Actual 2015	Actual 2014
Plant and Equipment		-	-	4,695	6,100
Office Equipment		-	-	792	955
Furniture & Fittings		-	-	51	48
Land Improvements (depreciable)		-	-	722	3,722
Buildings - Non Specialised		-	-	91	60
Buildings - Specialised		-	-	6,581	5,144
Other Structures		-	-	1,259	1,046
Infrastructure:					
- Roads		-	-	17,972	17,065
- Bridges		-	-	1,116	1,096
- Footpaths		-	-	870	823
- Stormwater Drainage		-	-	1,567	2,888
- Water Supply Network		-	-	7,209	6,467
- Sewerage Network		-	-	7,103	9,808
- Swimming Pools		-	-	151	239
- Other Open Space/Recreational Assets		-	-	978	-
- Other Infrastructure		-	-	2,545	-
Other Assets					
- Library Books		-	-	332	315
Asset Reinstatement Costs	9 & 26	-	-	28	22
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	54,062	55,798

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		535	472
Bad & Doubtful Debts		162	1
Bank Charges		559	553
Computer Software, Equipment & Maintenance		1,216	1,151
Contributions/Levies to Other Levels of Government			
- State Emergency Services Levy		142	136
- NSW Fire Brigade Levy		225	226
- NSW Rural Fire Service Levy		1,308	821
- Waste Levy		7,837	7,693
Councillor Expenses - Mayoral Fee		39	37
Councillor Expenses - Councillors' Fees		233	222
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		256	256
Department of Lands		1,017	799
Donations, Contributions & Assistance to other organisations (Section 356)		644	431
Insurance		2,913	2,803
Light, Power & Heating		4,266	4,584
Motor Vehicle Registrations		285	287
Postage		427	134
Printing & Stationery		273	208
Revaluation Decrements (Fair Valuation of I,PP&E Assets)	9(a)	-	1,712
Street Lighting		1,749	1,839
Subscriptions & Publications		477	404
Telephone & Communications		802	696
Valuation Fees		403	340
Other		335	160
<u>TOTAL OTHER EXPENSES</u>		<u>26,103</u>	<u>25,965</u>

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2015	Actual 2014
Property (excl. Investment Property)			
Proceeds from Disposal - Property		1,931	-
less: Carrying Amount of Property Assets Sold / Written Off		(4,993)	(55)
Net Gain/(Loss) on Disposal		(3,062)	(55)
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		2,076	2,098
less: Carrying Amount of P&E Assets Sold / Written Off		(2,737)	(2,738)
Net Gain/(Loss) on Disposal		(661)	(640)
Real Estate Assets Held For Sale			
Proceeds from Disposal - Real Estate Assets		420	1,785
less: Carrying Amount of Real Estate Assets Sold / Written Off		(251)	(477)
Net Gain/(Loss) on Disposal		169	1,308
Financial Assets*			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		113,653	322,081
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(113,577)	(321,692)
Net Gain/(Loss) on Disposal		76	389
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(3,478)	1,002
* Financial Assets disposals / redemptions include:			
- Net Gain/(Loss) from Financial Instruments "At Fair Value through profit & loss"		76	389
Net Gain/(Loss) on Disposal of Financial Instruments		76	389

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 6a. - Cash Assets and Note 6b. - Investments

\$ '000	Notes	2015	2015	2014	2014
		Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		7,064	-	1,924	-
Cash-Equivalent Assets ¹					
- Deposits at Call		4,620	-	4,011	-
- Short Term Deposits		11,259	-	8,302	-
Total Cash & Cash Equivalents		22,943	-	14,237	-
Investments (Note 6b)					
- Managed Funds		1,712	-	1,669	-
- Long Term Deposits		40,050	50,920	53,950	44,000
- Government & Semi-Government Bonds		1,073	-	880	-
- NCD's, FRN's (with Maturities > 3 months)		17,879	-	3,256	-
- CDO's		-	-	677	-
Total Investments		60,714	50,920	60,432	44,000
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		83,657	50,920	74,669	44,000

¹ Those Investments where time to maturity (from date of purchase) is < 3 mths.

Cash, Cash Equivalents & Investments were classified at year end in accordance with AASB 139 as follows:

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"		22,943	-	14,237	-
---	--	---------------	----------	---------------	----------

Investments

a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)	20,664	-	6,482	-
b. "Held to Maturity"	6(b-ii)	40,050	50,920	53,950	44,000
Investments		60,714	50,920	60,432	44,000

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of investments held.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 6b. Investments (continued)

\$ '000	2015 Actual Current	2015 Actual Non Current	2014 Actual Current	2014 Actual Non Current
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	6,482	-	1,677	540
Revaluations (through the Income Statement)	30	-	143	-
Additions	14,829	-	4,214	-
Disposals (sales & redemptions)	(677)	-	(92)	-
Transfers between Current/Non Current	-	-	540	(540)
Balance at End of Year	20,664	-	6,482	-
Comprising:				
- Managed Funds	1,712	-	1,669	-
- Government & Semi-Government Bonds	1,073	-	880	-
- NCD's, FRN's (with Maturities > 3 months)	17,879	-	3,256	-
- CDO's	-	-	677	-
Total	20,664	-	6,482	-
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	53,950	44,000	91,300	5,000
Additions	85,000	20,920	279,250	44,000
Disposals (sales & redemptions)	(112,900)	-	(316,600)	(5,000)
Transfers between Current/Non Current	14,000	(14,000)	-	-
Balance at End of Year	40,050	50,920	53,950	44,000
Comprising:				
- Long Term Deposits	40,050	50,920	53,950	44,000
Total	40,050	50,920	53,950	44,000

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 6c. Restricted Cash, Cash Equivalents & Investments - Details

\$ '000	2015	2015	2014	2014
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	83,657	50,920	74,669	44,000
attributable to:				
External Restrictions (refer below)	42,596	44,187	49,379	29,097
Internal Restrictions (refer below)	28,083	6,733	18,173	10,708
Unrestricted	12,978	-	7,117	4,195
	83,657	50,920	74,669	44,000

2015 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of Restrictions

External Restrictions - Included in Liabilities

Specific Purpose Unexpended Loans-General (A)	1,714	7,792	(5,744)	3,762
Self Insurance Claims (C)	2,950	-	(1,919)	1,031
External Restrictions - Included in Liabilities	4,664	7,792	(7,663)	4,793

External Restrictions - Other

Developer Contributions - General (D)	18,637	3,498	(785)	21,350
Developer Contributions - Water Fund (D)	10,418	1,588	(5)	12,001
Developer Contributions - Sewer Fund (D)	-	1,427	(1,427)	-
Specific Purpose Unexpended Grants (F)	582	13,390	(12,168)	1,804
Water Supplies (G)	27,081	78	-	27,159
Sewerage Services (G)	7,457	761	-	8,218
Domestic Waste Management (G)	9,113	38,903	(37,543)	10,473
Stormwater Management (G)	86	1,068	(894)	260
Other Special Levies (G)	438	2,353	(2,066)	725
External Restrictions - Other	73,812	63,066	(54,888)	81,990
Total External Restrictions	78,476	70,858	(62,551)	86,783

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 6c. Restricted Cash, Cash Equivalents & Investments - Details (continued)

2015 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	3,552	9,249	(9,431)	3,370
Employees Leave Entitlement	6,687	1,919	-	8,606
Arts Collection	41	-	(17)	24
Committed Capital Works	7,860	200	(1,126)	6,934
Land Decontamination	2,336	-	(530)	1,806
General Insurance	660	1,779	(1,640)	799
Land Development Reserve	1,550	1,778	(2,464)	864
North Nowra Link Road	705	-	(12)	693
Plant Replacement Cemeteries	121	271	-	392
S94 Matching Funds	597	-	(47)	550
Sporting Facilities	185	42	(28)	199
Strategic Projects	3,827	8,375	(6,565)	5,637
Strategic Property Acquisition	340	1,915	(201)	2,054
Economic Development Projects	420	463	(143)	740
Critical Asset Compliance	-	2,000	-	2,000
Events	-	148	-	148
Total Internal Restrictions	28,881	28,139	(22,204)	34,816
TOTAL RESTRICTIONS	107,357	98,997	(84,755)	121,599

- A** Loan moneys which must be applied for the purposes for which the loans were raised.
- C** Self Insurance liability resulting from reported claims or incurred claims not yet reported.
- D** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- F** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)
- G** Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 7. Receivables

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		3,748	3,596	3,250	3,458
Interest & Extra Charges		561	1,060	524	1,088
User Charges & Fees		3,014	1,557	2,510	1,563
Accrued Revenues					
- Interest on Investments		1,338	-	708	-
- Other Income Accruals		2,166	-	1,241	-
Government Grants & Subsidies		11,294	-	5,824	-
Deferred Debtors		30	97	5,112	123
Net GST Receivable		1,751	-	1,538	-
Other Debtors		692	-	679	-
Total		24,594	6,310	21,386	6,232
less: Provision for Impairment					
Rates & Annual Charges		(153)	-	(95)	-
User Charges & Fees		(59)	-	(44)	-
Total Provision for Impairment - Receivables		(212)	-	(139)	-
<u>TOTAL NET RECEIVABLES</u>		<u>24,382</u>	<u>6,310</u>	<u>21,247</u>	<u>6,232</u>
Externally Restricted Receivables					
Water Supply					
- Specific Purpose Grants		527	-	511	-
- Rates & Availability Charges		341	157	277	186
- Other		2,063	700	563	617
Sewerage Services					
- Specific Purpose Grants		521	-	518	-
- Rates & Availability Charges		2,420	1,374	2,305	1,450
- Other		9,452	291	21	34
Domestic Waste Management		537	584	559	538
Total External Restrictions		15,861	3,106	4,754	2,825
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		8,521	3,204	16,493	3,407
<u>TOTAL NET RECEIVABLES</u>		<u>24,382</u>	<u>6,310</u>	<u>21,247</u>	<u>6,232</u>

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 8.50% (2014 9.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 8. Inventories & Other Assets

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		874	8,165	-	8,104
Stores & Materials		1,411	-	679	-
Total Inventories		2,285	8,165	679	8,104
Other Assets					
Prepayments		370	-	393	-
Total Other Assets		370	-	393	-
TOTAL INVENTORIES / OTHER ASSETS		2,655	8,165	1,072	8,104
Externally Restricted Assets					
Water					
Stores & Materials		865	-	-	-
Prepayments		10	-	9	-
Total Water		875	-	9	-
Sewerage					
Nil					
Domestic Waste Management					
Nil					
Other					
Nil					
Total Externally Restricted Assets		875	-	9	-
Total Internally Restricted Assets		-	-	-	-
Total Unrestricted Assets		1,780	8,165	1,063	8,104
TOTAL INVENTORIES & OTHER ASSETS		2,655	8,165	1,072	8,104

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 8. Inventories & Other Assets (continued)

\$ '000	2015		2014	
	Current	Non Current	Current	Non Current
(i) Other Disclosures				
(a) Details for Real Estate Development				
Industrial/Commercial	874	8,165	-	8,104
Total Real Estate for Resale	874	8,165	-	8,104
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition Costs	31	288	-	330
Development Costs	843	7,877	-	7,774
Total Costs	874	8,165	-	8,104
Total Real Estate for Resale	874	8,165	-	8,104
Movements:				
Real Estate assets at beginning of the year	-	8,104	1,001	7,225
- Purchases and other costs	-	1,186	-	355
- WDV of Sales (exp) 5	(251)	-	(477)	-
- Transfer between Current/Non Current	1,125	(1,125)	(524)	524
Total Real Estate for Resale	874	8,165	-	8,104

(b) Inventory Write Downs

There were no amounts recognised as an expense relating to the write down of Inventory balances held during the year.

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of other assets held.

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2014			Asset Movements during the Reporting Period						as at 30/6/2015		
	At	Accumulated	Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Adjustments & Transfers	Tfrs from/(to) "Held for Sale" category	Revaluation Increments to Equity (ARR)	At	Accumulated	Carrying
	Fair Value	Dep'n	Value							Fair Value	Dep'n	Value
Plant & Equipment	60,403	29,826	30,577	8,332	(2,718)	(4,695)	216	-	-	60,568	28,856	31,712
Office Equipment	21,789	16,728	5,061	1,214	(17)	(792)	-	-	-	22,206	16,740	5,466
Furniture & Fittings	2,190	1,706	484	66	-	(51)	-	-	-	2,256	1,757	499
Land:												
- Operational Land	127,330	-	127,330	1,158	(1,498)	-	2,316	(810)	-	128,496	-	128,496
- Community Land	100,791	-	100,791	300	(145)	-	-	(70)	-	100,876	-	100,876
- Land under Roads (post 30/6/08)	3,913	-	3,913	-	-	-	-	-	-	3,913	-	3,913
Land Improvements - non depreciable	-	-	-	-	-	-	78,353	-	-	78,353	-	78,353
Land Improvements - depreciable	222,302	63,769	158,533	38	-	(722)	(140,666)	-	-	19,659	2,476	17,183
Buildings - Non Specialised	6,330	3,048	3,282	276	(382)	(91)	(620)	-	-	4,300	1,835	2,465
Buildings - Specialised	393,400	191,132	202,268	3,960	(83)	(6,581)	609	(434)	-	397,352	197,613	199,739
Other Structures	28,639	11,127	17,512	2,220	-	(1,259)	3,253	-	-	42,656	20,930	21,726
Infrastructure:												
- Roads	904,253	248,133	656,120	13,856	-	(17,972)	18,328	-	32,697	1,013,036	310,007	703,029
- Bridges	78,614	28,363	50,251	239	-	(1,116)	(6)	-	16,108	96,851	31,375	65,476
- Footpaths	43,824	15,218	28,606	1,468	-	(870)	129	-	17,631	65,056	18,092	46,964
- Bulk Earthworks (non-depreciable)	63,139	-	63,139	-	-	-	-	-	39,028	102,167	-	102,167
- Stormwater Drainage	211,629	95,975	115,654	1,449	-	(1,567)	(39,963)	-	32,385	182,898	74,940	107,958
- Water Supply Network	594,136	253,326	340,810	14,334	(726)	(7,209)	(2,466)	-	4,890	613,149	263,516	349,633
- Sewerage Network	664,777	224,945	439,832	15,101	(2,159)	(7,103)	(53)	-	6,502	685,593	233,473	452,120
- Swimming Pools	10,719	7,395	3,324	6,007	-	(151)	(235)	-	-	14,099	5,154	8,945
- Other Open Space/Recreational Assets	-	-	-	770	-	(978)	11,544	-	-	24,899	13,563	11,336
- Other Infrastructure	-	-	-	3,934	-	(2,545)	69,261	-	-	132,787	62,137	70,650
Other Assets:												
- Library Books	6,940	6,117	823	353	-	(332)	-	-	-	7,293	6,449	844
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26):												
- Tip Assets	2,176	1,918	258	-	-	(28)	-	-	-	2,176	1,946	230
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	3,547,294	1,198,726	2,348,568	75,075	(7,728)	(54,062)	-	(1,314)	149,241	3,800,639	1,290,859	2,509,780

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$25,899) and New Assets (\$37,753). Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of other Infrastructure, Property, Plant & Equipment.

Shoalhaven City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 9b. Externally Restricted Infrastructure, Property, Plant & Equipment

\$ '000 Class of Asset	Actual 2015				Actual 2014			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Water Supply								
Plant & Equipment	-	6,350	2,877	3,473	-	6,277	2,779	3,498
Office Equipment	-	3,008	1,540	1,468	-	2,836	1,496	1,340
Furniture & Fittings	-	338	125	213	-	336	125	211
Land								
- Operational Land	-	5,881	-	5,881	-	5,804	-	5,804
Buildings	-	1,512	251	1,261	-	1,512	227	1,285
Other Structures	-	355	118	237	-	202	105	97
Infrastructure	-	613,149	263,516	349,633	-	594,135	253,328	340,807
Total Water Supply	-	630,593	268,427	362,166	-	611,102	258,060	353,042
Sewerage Services								
Plant & Equipment	-	7,188	3,420	3,768	-	6,773	3,130	3,643
Office Equipment	-	1,082	1,047	35	-	1,071	1,026	45
Furniture & Fittings	-	64	20	44	-	64	20	44
Land								
- Operational Land	-	11,004	-	11,004	-	9,931	-	9,931
- Community Land	-	433	-	433	-	1,408	-	1,408
Buildings	-	2,426	723	1,703	-	2,426	683	1,743
Other Structures	-	320	211	109	-	320	202	118
Infrastructure	-	685,593	233,488	452,105	-	664,776	224,960	439,816
Total Sewerage Services	-	708,110	238,909	469,201	-	686,769	230,021	456,748
TOTAL RESTRICTED I,PP&E	-	1,338,703	507,336	831,367	-	1,297,871	488,081	809,790

Note 9c. Infrastructure, Property, Plant & Equipment - Current Year Impairments

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		12,303	-	13,528	-
Payments Received In Advance		1,549	-	1,430	-
Accrued Expenses:					
- Borrowings		462	-	495	-
- Salaries & Wages		24	-	-	-
- Other Expenditure Accruals		5,327	-	3,899	-
Security Bonds, Deposits & Retentions		1,659	-	1,465	-
Total Payables		21,324	-	20,817	-
Borrowings					
Loans - Secured ¹		9,085	56,843	8,987	58,161
Government Advances		362	1,399	767	1,691
Ratepayers' Advances		36	165	32	122
Total Borrowings		9,483	58,407	9,786	59,974
Provisions					
Employee Benefits;					
Annual Leave		5,237	-	5,069	-
Sick Leave		10,036	-	12,893	-
Long Service Leave		10,834	276	11,572	316
Sub Total - Aggregate Employee Benefits		26,107	276	29,534	316
Self Insurance - Workers Compensation		293	738	446	2,088
Asset Remediation/Restoration (Future Works) ²⁶		-	2,091	-	1,992
Other		52	-	-	-
Total Provisions		26,452	3,105	29,980	4,396
Total Payables, Borrowings & Provisions		57,259	61,512	60,583	64,370
(i) Liabilities relating to Restricted Assets					
Externally Restricted Assets					
Water		2,760	6	1,509	174
Sewer		5,868	25,899	5,726	29,702
Domestic Waste Management		958	-	811	-
Self Insurance		293	738	446	2,088
Liabilities relating to externally restricted assets		9,879	26,643	8,492	31,964
Internally Restricted Assets					
Nil					
Total Liabilities relating to restricted assets		9,879	26,643	8,492	31,964
Total Liabilities relating to Unrestricted Assets		47,380	34,869	52,091	32,406
TOTAL PAYABLES, BORROWINGS & PROVISIONS		57,259	61,512	60,583	64,370

¹ Loans are secured over the General Rating Income of Council

Disclosures on Liability Interest Rate Risk Exposures, Fair Value Disclosures & Security can be found in Note 15.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 10a. Payables, Borrowings & Provisions (continued)

\$ '000	Actual 2015	Actual 2014
(ii) Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	18,167	21,187
	18,167	21,187

Note 10b. Description of and movements in Provisions

Class of Provision	2014		2015			
	Opening Balance as at 1/7/14	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/15
Annual Leave	5,069	5,935	(5,767)	-	-	5,237
Sick Leave	12,893	550	(1,305)	(2,102)	-	10,036
Long Service Leave	11,888	1,818	(2,149)	(447)	-	11,110
Self Insurance	2,534	-	(1,102)	-	(401)	1,031
Asset Remediation	1,992	99	-	-	-	2,091
Other	-	52	-	-	-	52
TOTAL	34,376	8,454	(10,323)	(2,549)	(401)	29,557

- a. Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- b. Self Insurance Provisions represent both (i) Claims Incurred but Not reported and (ii) Claims Reported & Estimated as a result of Council's being a self insurer up to certain levels of Excess.
- c. Asset Remediation, Reinstatement & Restoration Provisions represent the Present Value estimate of future costs Council will incur in order to remove, restore & remediate assets &/or activities as a result of past operations.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2015	Actual 2014
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	22,943	14,237
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		22,943	14,237
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		40,117	14,720
Adjust for non cash items:			
Depreciation & Amortisation		54,062	55,798
Net Losses/(Gains) on Disposal of Assets		3,478	(1,002)
Non Cash Capital Grants and Contributions		(6,164)	(3,888)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		(30)	(143)
- Investment Properties		-	(85)
- Favourable Financial Liabilities (ie. Initial Recognition at Fair Value)		-	(1)
- Fair Valuation Adjustment (re-measurement) of existing Loans to Council		45	64
- Write Offs relating to the Fair Valuation of I,PP&E		-	1,712
- Other (consolidation of Management Committees cash)		115	-
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
- Interest on all fair value adjusted Interest Free Advances made by Council		(16)	(10)
Unwinding of Discount Rates on Reinstatement Provisions		99	110
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(8,394)	(2,024)
Increase/(Decrease) in Provision for Doubtful Debts		73	(201)
Decrease/(Increase) in Inventories		(732)	151
Decrease/(Increase) in Other Assets		23	947
Increase/(Decrease) in Payables		(1,225)	4,632
Increase/(Decrease) in accrued Interest Payable		(33)	(53)
Increase/(Decrease) in other accrued Expenses Payable		1,452	1,339
Increase/(Decrease) in Other Liabilities		313	192
Increase/(Decrease) in Employee Leave Entitlements		(3,467)	(1,511)
Increase/(Decrease) in Other Provisions		(1,451)	(502)
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		78,265	70,245

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 11. Statement of Cash Flows - Additional Information (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(c) Non-Cash Investing & Financing Activities			
Other Dedications		6,164	3,888
Total Non-Cash Investing & Financing Activities		6,164	3,888
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		400	400
Credit Cards / Purchase Cards		250	150
Total Financing Arrangements		650	550

1. The Bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

Interest rates on overdrafts are Interest Rates on Loans & Other Payables are disclosed in Note 15.

(ii) Secured Loan Liabilities

Loans are secured by a mortgage over future years Rate Revenue only.

Shoalhaven City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2015	Actual 2014
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Buildings		620	768
Plant & Equipment		946	904
Swimming Pools		2,544	5,089
Roads		4,486	2,193
Water Assets		3,642	2,018
Sewer Assets		3,500	1,768
Other		2,881	1,702
Total Commitments		18,619	14,442
These expenditures are payable as follows:			
Within the next year		18,619	14,442
Total Payable		18,619	14,442
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		11,477	10,656
Externally Restricted Reserves		7,142	3,786
Total Sources of Funding		18,619	14,442

Details of Capital Commitments

Below is a list of projects with large capital commitments

Turpentine Rd Widening - \$2.5m

Orion Beach Walk - \$1m

Nowra Pool Design - \$2m

Integrated Software Solution - \$1 m

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(b) Finance Lease Commitments			
Nil			
(c) Operating Lease Commitments (Non Cancellable)			
a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:			
Within the next year		43	41
Later than one year and not later than 5 years		15	51
Later than 5 years		-	-
Total Non Cancellable Operating Lease Commitments		58	92

b. Non Cancellable Operating Leases include the following assets:

Northern Maintenance Office - term 6 years - expiry 2016

Carparking Land in Ulladulla - term 3 years - expiry 2016

Conditions relating to Operating Leases:

- All Operating Lease Agreements are secured only against the Leased Asset.
- No Lease Agreements impose any financial restrictions on Council regarding future debt etc.

(d) Investment Property Commitments

Nil

(e) Investment in Joint Operations - Commitments

For Capital Commitments and Other Commitments relating to Investments in Joint Operations, refer to Note 19 (c)

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 13a(i). Statement of Performance Measurement - Indicators (Consolidated)

\$ '000	Amounts 2015	Indicator 2015	Prior Periods 2014 2013	
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	<u>12,319</u>	6.16%	-0.72%	-2.43%
Total continuing operating revenue ⁽¹⁾ (excl. Capital Grants & Contributions)	<u>199,848</u>			
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(excl. ALL Grants & Contributions)</u>	<u>179,670</u>	77.75%	84.72%	83.18%
Total continuing operating revenue ⁽¹⁾	<u>231,094</u>			
3. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽²⁾	<u>52,676</u>	1.80x	1.39	2.21
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	<u>29,213</u>			
4. Debt Service Cover Ratio				
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation	<u>70,673</u>	5.02x	4.12	3.89
Principal Repayments (from the Statement of Cash Flows) + Borrowing Costs (from the Income Statement)	<u>14,080</u>			
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual and Extra Charges Outstanding	<u>8,812</u>	7.32%	7.08%	7.79%
Rates, Annual and Extra Charges Collectible	<u>120,410</u>			
6. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents + All Term Deposits	<u>113,913</u>	9.20 mths	9.34	9.23
Payments from cash flow of operating and financing activities	<u>12,379</u>			

Notes

⁽¹⁾ Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and the net share of interests in joint ventures & associates.

⁽²⁾ Refer Notes 6-8 inclusive.

Also excludes any real estate & land for resale not expected to be sold in the next 12 months

⁽³⁾ Refer to Note 10(a).

⁽⁴⁾ Refer to Note 10(a)(ii) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).

Shoalhaven City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

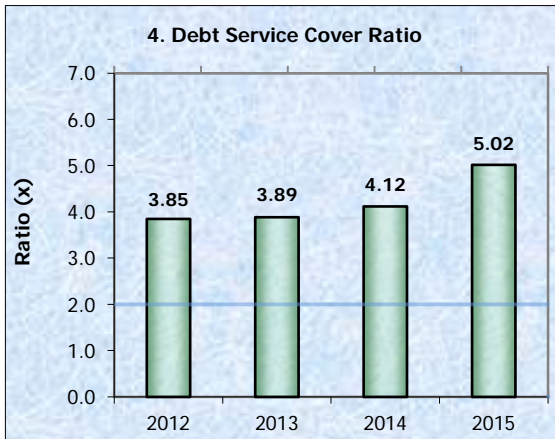
Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)

<p>1. Operating Performance Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2012</td> <td>-0.39%</td> </tr> <tr> <td>2013</td> <td>-2.43%</td> </tr> <tr> <td>2014</td> <td>-0.72%</td> </tr> <tr> <td>2015</td> <td>6.16%</td> </tr> </tbody> </table> <p>Benchmark: — Minimum $\geq 0.00\%$ Source for Benchmark: Code of Accounting Practice and Financial Reporting #23</p>	Year	Ratio %	2012	-0.39%	2013	-2.43%	2014	-0.72%	2015	6.16%	<p>Purpose of Operating Performance Ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2014/15 Result</p> <p>2014/15 Ratio 6.16%</p> <p>Council's operating performance ratio is above the benchmark of 0%, this has improved from the previous year due to a full year of the Financial Assistance Grant being received, an increase in rates income and Council's operating costs not increasing.</p> <p>■ Ratio is within Benchmark ■ Ratio is outside Benchmark</p>
Year	Ratio %											
2012	-0.39%											
2013	-2.43%											
2014	-0.72%											
2015	6.16%											
<p>2. Own Source Operating Revenue Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2012</td> <td>78.16%</td> </tr> <tr> <td>2013</td> <td>83.18%</td> </tr> <tr> <td>2014</td> <td>84.72%</td> </tr> <tr> <td>2015</td> <td>77.75%</td> </tr> </tbody> </table> <p>Benchmark: — Minimum $\geq 60.00\%$ Source for Benchmark: Code of Accounting Practice and Financial Reporting #23</p>	Year	Ratio %	2012	78.16%	2013	83.18%	2014	84.72%	2015	77.75%	<p>Purpose of Own Source Operating Revenue Ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants & contributions.</p>	<p>Commentary on 2014/15 Result</p> <p>2014/15 Ratio 77.75%</p> <p>Council's Own Source Operating Revenue ratio has remained above the benchmark of (>60%) in the last four years. Council has sufficient level of fiscal flexibility, in the event of being faced with unforeseen events. It has decreased in the last year due an increase in grants received.</p> <p>■ Ratio is within Benchmark ■ Ratio is outside Benchmark</p>
Year	Ratio %											
2012	78.16%											
2013	83.18%											
2014	84.72%											
2015	77.75%											
<p>3. Unrestricted Current Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2012</td> <td>2.17</td> </tr> <tr> <td>2013</td> <td>2.21</td> </tr> <tr> <td>2014</td> <td>1.39</td> </tr> <tr> <td>2015</td> <td>1.80</td> </tr> </tbody> </table> <p>Benchmark: — Minimum ≥ 1.50 Source for Benchmark: Code of Accounting Practice and Financial Reporting #23</p>	Year	Ratio (x)	2012	2.17	2013	2.21	2014	1.39	2015	1.80	<p>Purpose of Unrestricted Current Ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2014/15 Result</p> <p>2014/15 Ratio 1.80x</p> <p>This ratio indicates that Council currently projects to have \$1.80 (excluding externally restricted funds such as S94, Water, Sewer and grant monies) available to service every \$1 of debt as it falls due at the end of the year. The ratio has increased due to investing in current investments that provide a good return and attributing externally restricted current cash according to budgeted expenditure from each reserve next financial year.</p> <p>■ Ratio is within Benchmark ■ Ratio is outside Benchmark</p>
Year	Ratio (x)											
2012	2.17											
2013	2.21											
2014	1.39											
2015	1.80											

Shoalhaven City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)



Purpose of Debt Service Cover Ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2014/15 Result

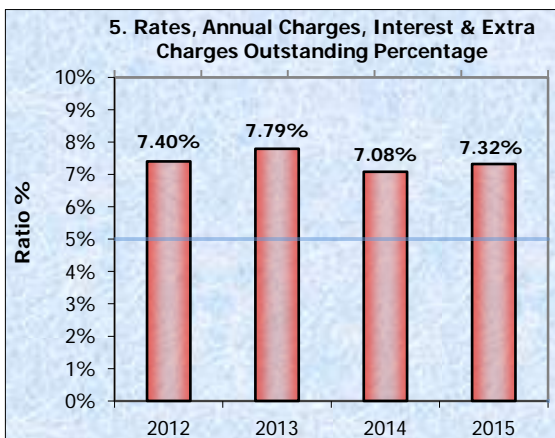
2014/15 Ratio 5.02x

With a ratio of 5.02, Council's ability to generate sufficient cash to cover its debt is sound and in excess of the benchmark of 2.

Benchmark: ——— Minimum ≥ 2.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of Rates & Annual Charges Outstanding Ratio

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 2014/15 Result

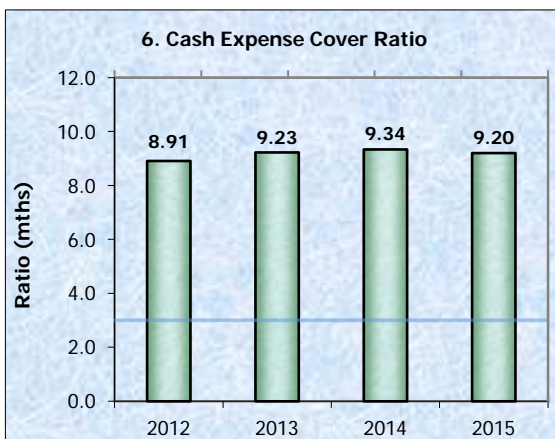
2014/15 Ratio 7.32%

The percentage of outstanding rates and annual charges remains stable. The ratio is above the benchmark of 5%, this can be attributed to Council's policy on rate debt recovery, which has only recently been changed.

Benchmark: ——— Maximum $< 5.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of Cash Expense Cover Ratio

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

Commentary on 2014/15 Result

2014/15 Ratio 9.20 mths

Council's Cash Expense Ratio has been above the benchmark indicating Council's ability to pay for its immediate expenses without additional casflow. Council has enough cash to fund 9.20 months of operating expenditure.

Benchmark: ——— Minimum ≥ 3.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
 Ratio is outside Benchmark

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 13b. Statement of Performance Measurement - Indicators (by Fund)

\$ '000	Water 2015	Sewer 2015	General ⁵ 2015
Local Government Industry Indicators - by Fund			
1. Operating Performance Ratio			
Total continuing operating revenue ⁽¹⁾			
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	18.97%	25.36%	-1.80%
Total continuing operating revenue ⁽¹⁾			
(excl. Capital Grants & Contributions)	prior period: 19.42%	16.02%	-8.92%
2. Own Source Operating Revenue Ratio			
Total continuing operating revenue ⁽¹⁾			
<u>(excl. ALL Grants & Contributions)</u>	84.21%	73.36%	80.19%
Total continuing operating revenue ⁽¹⁾			
	prior period: 94.27%	95.95%	81.52%
3. Unrestricted Current Ratio			
<u>Current Assets less all External Restrictions⁽²⁾</u>	10.33x	2.65x	1.76x
Current Liabilities less Specific Purpose Liabilities ^(3, 4)			
	prior period: 12.44	1.14	1.36
4. Debt Service Cover Ratio			
<u>Operating Result⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation</u>	41.89x	2.72x	4.58x
Principal Repayments (from the Statement of Cash Flows) + Borrowing Costs (from the Income Statement)			
	prior period: 21.75	2.56	3.52
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
<u>Rates, Annual and Extra Charges Outstanding</u>	13.11%	9.88%	5.58%
Rates, Annual and Extra Charges Collectible			
	prior period: 9.99%	10.18%	5.25%
6. Cash Expense Cover Ratio			
Current Year's Cash and Cash Equivalents <u>+ All Term Deposits</u>	34.32	3.07	8.07
Payments from cash flow of operating and financing activities	mths	mths	mths
	prior period: 34.54	3.18	7.86

Notes

(1) - (4) Refer to Notes at Note 13a(i) above.

(5) General Fund refers to all of Council's activities except for its Water & Sewer activities which are listed separately.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 14. Investment Properties

\$ '000	Notes	Actual 2015	Actual 2014
(a) Investment Properties at Fair value			
<u>Investment Properties on Hand</u>		<u>1,435</u>	<u>1,435</u>
Reconciliation of Annual Movement:			
Opening Balance		1,435	1,350
- Net Gain/(Loss) from Fair Value Adjustments		-	85
CLOSING BALANCE - INVESTMENT PROPERTIES		<u>1,435</u>	<u>1,435</u>

(b) Valuation Basis

The basis of valuation of Investment Properties is Fair Value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

The 2015 revaluations were based on Independent Assessments made by:
Mr Darren Austin AAPI, of Walsh & Monaghan Pty Ltd

(c) Contractual Obligations at Reporting Date

Refer to Note 12 for disclosures relating to any Capital and Service obligations that have been contracted.

(d) Leasing Arrangements

Details of leased Investment Properties are as follows;

Future Minimum Lease Payments receivable under non-cancellable Investment Property Operating Leases not recognised in the Financial Statements are receivable as follows:

Within 1 year	388	110
Later than 1 year but less than 5 years	242	23
Later than 5 years	28	-
Total Minimum Lease Payments Receivable	<u>658</u>	<u>133</u>

(e) Investment Property Income & Expenditure - summary

Rental Income from Investment Properties:

- Minimum Lease Payments
 131 | 138 |

Direct Operating Expenses on Investment Properties:

- that generated rental income
 (17) | (15) |

Net Revenue Contribution from Investment Properties **114** | **123** |

plus:

Fair Value Movement for year **-** | **85** |

Total Income attributable to Investment Properties **114** | **208** |

Refer to Note 27- Fair Value Measurement for information regarding the fair value of investment properties held.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 15. Financial Risk Management

\$ '000

Risk Management

Council's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by Council's Finance Section under policies approved by the Council.

A comparison by category of the carrying amounts and fair values of Council's Financial Assets & Financial Liabilities recognised in the financial statements is presented below.

	Carrying Value		Fair Value	
	2015	2014	2015	2014
Financial Assets				
Cash and Cash Equivalents	22,943	14,237	22,943	14,237
Investments				
- "Held for Trading"	20,664	6,482	20,664	6,482
- "Held to Maturity"	90,970	97,950	90,970	97,950
Receivables	30,692	27,479	30,692	27,479
Total Financial Assets	165,269	146,148	165,269	146,148
Financial Liabilities				
Payables	19,775	19,387	19,775	19,387
Loans / Advances	67,890	69,760	67,890	69,760
Total Financial Liabilities	87,665	89,147	87,665	89,147

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates mkt value.
- **Borrowings & Held to Maturity Investments** - are based upon estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles, unless quoted market prices are available.
- Financial Assets classified (i) "**at fair value through profit & loss**" or (ii) **Available for Sale** - are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of financial assets & liabilities

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 15. Financial Risk Management (continued)

\$ '000

(a) Cash & Cash Equivalents, Financial assets 'at fair value through the profit & Loss' "Available-for-sale" financial assets & "Held-to-maturity" Investments

Council's objective is to maximise its return on cash & investments whilst maintaining an adequate level of liquidity and preserving capital.

Council's Finance area manages the Cash & Investments portfolio with the assistance of independent advisors.

Council has an Investment Policy which complies with the Local Government Act & Minister's Investment Order. This Policy is regularly reviewed by Council and its staff and an Investment Report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

- **Price Risk** - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest Rate Risk** - the risk that movements in interest rates could affect returns and income.
- **Credit Risk** - the risk that the investment counterparty) will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

Council also seeks advice from independent advisers before placing any funds in Cash Equivalents & Investments.

The following represents a summary of the sensitivity of Council's Income Statement and Accumulated Surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2015				
Possible impact of a 10% movement in Market Values	2,066	2,066	(2,066)	(2,066)
Possible impact of a 1% movement in Interest Rates	1,346	1,346	(1,346)	(1,346)
2014				
Possible impact of a 10% movement in Market Values	648	648	(648)	(648)
Possible impact of a 1% movement in Interest Rates	1,178	1,178	(1,178)	(1,178)

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

Council's major receivables comprise **(i)** Rates & Annual charges and **(ii)** User Charges & Fees.

The major risk associated with these receivables is credit risk - the risk that debts due and payable to Council may not be repaid in full.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts - that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates & annual charges at higher than market rates which further encourages the payment of debt.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subjected to a re-negotiation of repayment terms.

A profile of Council's receivables credit risk at balance date follows:

	2015 Rates & Annual Charges	2015 Other Receivables	2014 Rates & Annual Charges	2014 Other Receivables
(i) Ageing of Receivables - %				
Current (not yet overdue)	30%	96%	48%	87%
Overdue	70%	4%	52%	13%
	100%	100%	100%	100%

		2015 Rates & Annual Charges	2015 Other Receivables	2014 Rates & Annual Charges	2014 Other Receivables
(ii) Ageing of Receivables - value					
Rates & Annual Charges	Other Receivables				
Current	Current	2,193	22,678	2,173	17,707
< 1 year overdue	0 - 30 days overdue	1,835	-	4,535	-
1 - 2 years overdue	30 - 60 days overdue	851	252	-	527
2 - 5 years overdue	60 - 90 days overdue	1,217	161	-	181
> 5 years overdue	> 90 days overdue	1,248	469	-	2,495
		7,344	23,560	6,708	20,910

(iii) Movement in Provision for Impairment of Receivables

	2015	2014
Balance at the beginning of the year	139	340
- amounts already provided for & written off this year	(45)	(48)
- amounts provided for but recovered during the year	118	(153)
Balance at the end of the year	212	139

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

Payables & Borrowings are both subject to liquidity risk - the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

Payment terms can (in extenuating circumstances) also be extended & overdraft facilities utilised as required.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's Payables & Borrowings are set out in the maturity table below:

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2015									
Trade/Other Payables	1,659	18,116	-	-	-	-	-	19,775	19,775
Loans & Advances	-	9,483	13,505	6,646	6,822	6,790	24,709	67,957	67,890
Total Financial Liabilities	1,659	27,599	13,505	6,646	6,822	6,790	24,709	87,732	87,665
2014									
Trade/Other Payables	1,465	17,922	-	-	-	-	-	19,387	19,387
Loans & Advances	-	9,786	8,740	12,760	5,890	6,057	26,639	69,872	69,760
Total Financial Liabilities	1,465	27,708	8,740	12,760	5,890	6,057	26,639	89,259	89,147

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs & debt servicing requirements. Council manages this risk through the diversification of borrowing types, maturities & interest rate structures.

The following interest rates were applicable to Council's Borrowings at balance date:

	2015		2014	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	19,775		19,387	
Loans & Advances - Fixed Interest Rate	67,890	5.9%	69,760	6.2%
	<u>87,665</u>		<u>89,147</u>	

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 14/15 was adopted by the Council on 24 June 2014.

While the Income Statement included in this General Purpose Financial Report must disclose the Original Budget adopted by Council, the Local Government Act requires Council to review its Financial Budget on a Quarterly Basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This Note sets out the details of MATERIAL VARIATIONS between Council's Original Budget and its Actual results for the year as per the Income Statement - even though such variations may have been adjusted for during each Quarterly Budget Review.

Note that for Variations* of Budget to Actual :

Material Variations represent those variances that amount to **10%** or more of the original budgeted figure.

F = Favourable Budget Variation, **U** = Unfavourable Budget Variation

\$ '000	2015 Budget	2015 Actual	2015 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	112,056	111,460	(596)	(1%)	U
User Charges & Fees	57,607	58,676	1,069	2%	F
Interest & Investment Revenue	3,474	5,765	2,291	66%	F
Budget was formulated prior to investment advisors being appointed. New investment strategy prescribed by CPG Research & Advisory Ltd featuring a higher ratio of long-term financial instruments has lead to a higher rate of return on investments than originally budgeted.					
Other Revenues	899	3,799	2,900	323%	F
Budget was significantly lower to actual income due to the elimination of internal charges. Some income streams were not originally budgeted due to their uncertainty:\$566K fuel tax credit, \$231K waste levy rebate,\$129K insurance rebate.					
Operating Grants & Contributions	19,079	20,178	1,099	6%	F
Capital Grants & Contributions	12,018	31,246	19,228	160%	F
Capital grants and contributions were higher than budgeted due to an additional \$8.5M of funding received for the REMS scheme construction, an additional \$1.3M grant for stage 4 of the Albatross Aviation Technology Park, \$450K of additional funding for the design of Nowra Aquatics Park, a \$357K grant for dredging investigation & activities, and \$237K for the construction of a community recycling centre.					

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 16. Material Budget Variations (continued)

\$ '000	2015 Budget	2015 Actual	2015 ----- Variance* -----		
EXPENSES					
Employee Benefits & On-Costs	60,191	59,851	340	1%	F
Borrowing Costs	4,468	4,292	176	4%	F
Materials & Contracts	53,024	43,221	9,803	18%	F
Materials and contracts were under spent on various projects and cost areas.					
Depreciation & Amortisation	55,644	54,062	1,582	3%	F
Other Expenses	25,754	26,103	(349)	(1%)	U
Net Losses from Disposal of Assets	-	3,478	(3,478)	0%	U
Council did not budget for any asset disposals.					

Budget Variations relating to Council's Cash Flow Statement include:

Cash Flows from Operating Activities	63,672	78,265	14,593	22.9%	F
The cashflows from operating activities is more than budget, due to the additional grants received and a reduction in expenditure.					
Cash Flows from Investing Activities	(62,837)	(67,644)	(4,807)	7.6%	U
Cash Flows from Financing Activities	3,748	(1,915)	(5,663)	(151.1%)	U
Cash Flows from Financing Activities is lower than budget due to a reduction in borrowings for the Sewer Fund that was reported to Council during the March quarterly review.					

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 17. Statement of Developer Contributions

\$ '000

Council recovers contributions, raises levies & enters into planning agreements on development works that are subject to a development consent issued by Council. All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

The following tables detail the receipt, interest and use of the above contributions & levies and the value of all remaining funds which are "restricted" in their future use.

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	395	-	-	22	(90)	-	327	1,807	(2,416)	(282)	-
Roads	2,561	547	-	174	(60)	-	3,222	61,006	(63,666)	562	-
Parking	1,025	28	-	33	(20)	-	1,066	18,954	(19,224)	796	-
Open Space	522	195	-	25	(80)	-	662	16,012	(16,801)	(127)	-
Community Facilities	5,824	663	-	215	(209)	-	6,493	15,937	(18,299)	4,131	-
Active Recreation	8,068	1,047	-	279	(180)	-	9,214	18,289	(27,923)	(420)	-
Other	241	260	-	9	(144)	-	366	8,209	(5,766)	2,809	-
S94 Contributions - under a Plan	18,636	2,740	-	757	(783)	-	21,350	140,214	(154,095)	7,469	-
Total S94 Revenue Under Plans	18,636	2,740	-	757	(783)	-	21,350				-
S64 Contributions	10,419	2,608	-	407	(1,433)	-	12,001				
Total Contributions	29,055	5,348	-	1,164	(2,216)	-	33,351	140,214	(154,095)	7,469	-

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN NUMBER 1

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	395	-	-	22	(90)	-	327	1,807	(2,416)	(282)	-
Roads	2,561	547	-	174	(60)	-	3,222	61,006	(63,666)	562	-
Parking	1,025	28	-	33	(20)	-	1,066	18,954	(19,224)	796	-
Open Space	522	195	-	25	(80)	-	662	16,012	(16,801)	(127)	-
Community Facilities	5,824	663	-	215	(209)	-	6,493	15,937	(18,299)	4,131	-
Active Recreation	8,068	1,047	-	279	(180)	-	9,214	18,289	(27,923)	(420)	-
Other	241	260	-	9	(144)	-	366	8,209	(5,766)	2,809	-
Total	18,636	2,740	-	757	(783)	-	21,350	140,214	(154,095)	7,469	-

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge & disclosure is considered relevant to the users of Council's Financial Report.

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

Council contributes to the Local Government Superannuation Scheme which has a closed section where a portion of member entitlements are defined as a multiple of salary. Member councils bear the responsibility of ensuring there are sufficient monies available to pay out benefits as these members cease employment.

The Scheme has a deficit of assets over liabilities and its administrators have advised all Councils that they will need to make significantly higher contributions to help reverse this deficit. However, the Trustees may also call upon Councils to make an immediate payment sufficient to offset all or part of this deficit at any time. There is no current indication that such action will be necessary.

The Scheme has estimated that as at 30 June 2015 a deficit exists. Effective from July 2009, employers are required to contribute additional contributions in order to rectify this deficit.

The share of this current deficit that can be broadly attributed to Council was estimated to be in the order of \$1,117,166.04 as at 30 June 2015, this is estimated to be extinguished by 30 June 2016. However, the Trustee is considering extending the additional contribution period in order to build up a satisfactory surplus to allow the fund to transition to a less risky investment portfolio.

(ii) Potential Insurance Losses

Council is a multi-purpose organisation providing a large range of building, parks, infrastructure, playgrounds and other facilities accessible to the public. At any time, it is likely that claims will have been made against Council that remain unsettled. Council insures against all known insurable risks using a range of insurance policies, each of which is subject to a deductible insurance excess, the amount of which varies according to the class of insurance.

(iii) Statewide Mutual

Council is a member of Statewide Mutual, a NSW Local Government Self-Insurance Mutual Scheme backed by reinsurance placed through the local and London markets. The scheme provides cover to Council for Public Liability, Professional Indemnity, Property and Fidelity. Council has a Contingent Liability in that it may be called on as a Member of the Mutual Scheme to make additional Contribution to the normal annual Contribution if determined by the Scheme Manager necessary in accordance with the Scheme Deed.

Council is a licenced self-insurer for Workers Compensation insurance, however, it has in place re-insurance arrangements for potential claims above a pre-determined retention level.

(iv) Other Guarantees

Council has provided no other Guarantees other than those listed above.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 18. Contingencies & Other Assets/Liabilities Not Recognised (continued)

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(i) Legal Expenses

Council is the planning consent authority for its area under the Environmental Planning & Assessment Act (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal to the Land & Environment Court. It is the Court's normal practice that parties bear their own legal costs. At the date of these reports, Council had notice of 1 appeal against planning decisions made prior to reporting date. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

(ii) "Carbon" Tax

From 1 July 2012 a new tax on emissions of certain "greenhouse" gases commenced operation. Council has a number of garbage landfill facilities which emit, and will continue for many years to emit, gases of this type.

Using current calculation methods, emissions from Council's landfill facilities are substantially below current taxable thresholds. This situation is expected to continue while thresholds remain at current levels.

Information currently available provides assurances that "legacy emissions" from garbage placed in landfills prior to commencement of the tax will not subsequently become liable to the tax. However, should taxable

thresholds be substantially reduced Council may be subject to taxation on landfill deposits made after 1 July 2012. No liability has been recognised in these reports.

ASSETS NOT RECOGNISED:

(i) Rural Fire Fighting Assets

Council has title to, and is the registered owner of rural fire appliances and associated rural fire fighting equipment. These assets are under the control of the Rural Fire Services to enable that Department to provide the bushfire protection defences set out in their Service Level Agreement with Council, and accordingly have not been recognised in these reports.

(ii) Infringement Notices/Fines

Fines & Penalty Income, the result of Council issuing Infringement Notices is followed up and collected by the Infringement Processing Bureau.

Councils Revenue Recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at Year End, there is a potential asset due to Council representing issued but unpaid Infringement Notices.

Due to the limited information available on the status, value and duration of outstanding Notices, Council is unable to determine the value of outstanding income.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 19. Interests in Other Entities

\$ '000

Council's objectives can and in some cases are best met through the use of separate entities & operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other Councils, Bodies and other Outside Organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of Councils (i) interest and (ii) control and the type (form) of entity/operation, as follows;

Controlled Entities (Subsidiaries)

Note 19(a)

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

Joint Ventures & Associates

Note 19(b)

Joint Ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.

Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

Joint Operations

Note 19(c)

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

Unconsolidated Structured Entities

Note 19(d)

Unconsolidated Structured Entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a Subsidiary, Joint Arrangement or Associate. Attributes of Structured Entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

Subsidiaries, Joint Arrangements and Associates not recognised

Note 19(e)

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 19. Interests in Other Entities (continued)

\$ '000

(a) Controlled Entities (Subsidiaries) - being entities & operations controlled by Council

Council's consolidated financial statements incorporate the assets, liabilities & results of the following subsidiaries in accordance with AASB 10 and the accounting policy described in Note 1(c).

Name of Operation/Entity	Principal Activity	Ownership		Voting Rights	
		2015	2014	2015	2014
1. Southern Water Services Pty Ltd	Provision of Water, Sewerage and Related Services Bridge Road Nowra NSW 2541				
Interests in Subsidiary					
Council's Interest in Subsidiary		100%	100%	100%	100%
Non-Controlling Interest in Subsidiary					

The nature and extent of significant restrictions relating to the Subsidiary

Southern Water Services is limited by shares under the Corporations Act (2001)

As sole shareholder Council controls full voting rights over Southern Water Services.

Dividends paid by Southern Water Services to Council are restricted by S254T of Corporations Act (2001)

The nature of risks associated with Council's interests in the Subsidiary

Council's liability is limited to the value of its fully paid shares.

Summarised Financial Information for the Subsidiary

Summarised Statement of Comprehensive Income	2015	2014
Revenue	65	308
Expenses	(72)	(284)
Profit for the Period	(7)	24
Summarised Statement of Financial Position	2015	2014
Current Assets	465	557
Total Assets	465	557
Current Liabilities	9	93
Total Liabilities	9	93
Net Assets ⁽²⁾	456	464
Summarised Statement of Cash Flows	2015	2014
Cash Flows from Operating Activities	27	102
Net increase (decrease) in Cash & Cash Equivalents	27	102

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 19. Interests in Other Entities (continued)

\$ '000

(a) Controlled Entities (Subsidiaries) - being entities & operations controlled by Council cont'd

Name of Operation/Entity	Principal Activity	Ownership		Voting Rights	
		2015	2014	2015	2014
2. Shoalhaven City Council Management Committees	Use and Management of Community Land & Assets Bridge Road Nowra NSW 2541				
Interests in Subsidiary					
Council's Interest in Subsidiary		100%	100%	100%	100%

The nature and extent of significant restrictions relating to the Subsidiary

Established under S355 of the Local Government Act (1993). Management Committees have delegated authority to use and manage community land under S377 of the Local Government Act (1993).

Council retains full access to management committee cash, investments and other assets.

The nature of risks associated with Council's interests in the Subsidiary

Council is exposed to the risks and rewards of management committee activities.

Council provides low interest loans to management committees in order to fund capital projects.

Council provides subsidies in order to maintain committee operations.

Summarised Financial Information for the Subsidiary

Summarised Statement of Comprehensive Income	2015	2014
Revenue	163	167
Expenses	(150)	(156)
Profit for the Period	13	11
Summarised Statement of Financial Position	2015	2014
Current Assets	139	118
Non Current Assets	20	20
Total Assets	159	138
Current Liabilities	7	9
Total Liabilities	7	9
Net Assets ⁽²⁾	152	129
Summarised Statement of Cash Flows	2015	2014
Cash Flows from Operating Activities	23	8
Cash Flows from Investing Activities	(4)	(4)
Cash Flows from Financing Activities	-	(5)
Net increase (decrease) in Cash & Cash Equivalents	19	(1)

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 19. Interests in Other Entities (continued)

\$ '000

(b) Joint Ventures and Associates

Council has no interest in any Joint Ventures or Associates.

(c) Joint Operations

Council has no interest in any Joint Operations.

(d) Unconsolidated Structured Entities

Council has no Unconsolidated Structured Entities

(e) Subsidiaries, Joint Arrangements & Associates not recognised

The following Subsidiaries, Joint Arrangements & Associates have not been recognised in this Financial Report.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2015	Actual 2014
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		1,318,517	1,303,688
a. Correction of Prior Period Errors	20 (c)	-	109
b. Other Comprehensive Income (excl. direct to Reserves transactions)		115	-
c. Net Operating Result for the Year		40,117	14,720
d. Transfers between Equity		697	-
Balance at End of the Reporting Period		<u>1,359,446</u>	<u>1,318,517</u>

(b) Reserves**(i) Reserves are represented by:**

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	1,210,401	1,061,857
Total	<u>1,210,401</u>	<u>1,061,857</u>

(ii) Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve		
- Opening Balance	1,061,857	1,031,907
- Revaluations for the year	149,241	29,950
- Transfer to Retained Earnings for Asset disposals	(697)	-
- Balance at End of Year	<u>1,210,401</u>	<u>1,061,857</u>
TOTAL VALUE OF RESERVES	<u>1,210,401</u>	<u>1,061,857</u>

(iii) Nature & Purpose of Reserves**Infrastructure, Property, Plant & Equipment Revaluation Reserve**

- The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 20. Equity - Retained Earnings and Revaluation Reserves (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(c) Correction of Error/s relating to a Previous Reporting Period			
Correction of errors as disclosed in last year's financial statements:			
Correction of Discounted Loans Received and Amortisation			109
In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.			
These amounted to the following Equity Adjustments:			
- Adjustments to Opening Equity - 1/7/13 (relating to adjustments for the 30/6/13 reporting year end and prior periods)		-	-
- Adjustments to Closing Equity - 30/6/14 (relating to adjustments for the 30/6/14 year end)		-	109
Total Prior Period Adjustments - Prior Period Errors		-	109

(d) Voluntary Changes in Accounting Policies

Council made no voluntary changes in any accounting policies during the year.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2015	Actual 2015	Actual 2015
<u>Continuing Operations</u>	Water	Sewer	General¹
Income from Continuing Operations			
Rates & Annual Charges	4,095	36,415	71,590
User Charges & Fees	16,206	2,732	53,996
Interest & Investment Revenue	2,300	577	3,652
Other Revenues	496	219	3,084
Grants & Contributions provided for Operating Purposes	532	521	19,125
Grants & Contributions provided for Capital Purposes	3,766	13,917	13,563
Other Income			
Net Gains from Disposal of Assets	-	-	-
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	-
Total Income from Continuing Operations	27,395	54,381	165,010
Expenses from Continuing Operations			
Employee Benefits & on-costs	5,492	9,781	51,481
Borrowing Costs	22	2,700	2,334
Materials & Contracts	3,559	6,190	38,457
Depreciation & Amortisation	7,727	7,699	38,636
Other Expenses	2,247	3,631	23,236
Net Losses from the Disposal of Assets	793	2,177	508
Total Expenses from Continuing Operations	19,840	32,178	154,651
Operating Result from Continuing Operations	7,555	22,203	10,359
<u>Discontinued Operations</u>			
Net Profit/(Loss) from Discontinued Operations	-	-	-
Net Operating Result for the Year	7,555	22,203	10,359
Net Operating Result attributable to each Council Fund	7,555	22,203	10,359
Net Operating Result attributable to Non-controlling Interests	-	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	3,789	8,286	(3,204)

¹ General Fund refers to all Council's activities other than Water & Sewer.

NB. All amounts disclosed above are Gross - that is, they include internal charges & recoveries made between the Funds.

Shoalhaven City Council

Notes to the Financial Statements

as at 30 June 2015

Note 21. Financial Result & Financial Position by Fund (continued)

Statement of Financial Position by Fund \$ '000	Actual 2015	Actual 2015	Actual 2015
ASSETS	Water	Sewer	General¹
Current Assets			
Cash & Cash Equivalents	6,676	1,401	14,866
Investments	17,667	3,708	39,339
Receivables	2,931	12,393	9,058
Inventories	865	-	1,420
Other	1,381	-	360
Non-current assets classified as 'held for sale'	-	-	1,314
Total Current Assets	29,520	17,502	66,357
Non-Current Assets			
Investments	14,817	3,109	32,994
Receivables	857	1,665	3,788
Inventories	-	-	8,165
Infrastructure, Property, Plant & Equipment	362,166	469,201	1,678,413
Investment Property	-	-	1,435
Other	9,931	-	(0)
Total Non-Current Assets	387,771	473,975	1,724,795
TOTAL ASSETS	417,291	491,477	1,791,152
LIABILITIES			
Current Liabilities			
Payables	2,593	2,065	18,037
Borrowings	167	4,529	4,787
Provisions	-	-	26,452
Total Current Liabilities	2,760	6,594	49,276
Non-Current Liabilities			
Payables	-	-	-
Borrowings	6	33,646	34,686
Provisions	-	-	3,105
Total Non-Current Liabilities	6	33,646	37,791
TOTAL LIABILITIES	2,766	40,240	87,067
Net Assets	414,525	451,237	1,704,085
EQUITY			
Retained Earnings	204,842	328,295	826,309
Revaluation Reserves	209,683	122,942	877,776
Council Equity Interest	414,525	451,237	1,704,085
Non-controlling Interests	-	-	-
Total Equity	414,525	451,237	1,704,085

¹ General Fund refers to all Council's activities other than Water & Sewer.

NB. All amounts disclosed above are Gross - that is, they include internal receivables & payables between the Funds.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 22. "Held for Sale" Non Current Assets & Disposal Groups

\$ '000	2015	2015	2014	2014
	Current	Non Current	Current	Non Current
(i) Non Current Assets & Disposal Group Assets				
Non Current Assets "Held for Sale"				
Land	880	-	-	-
Buildings	434	-	-	-
Total Non Current Assets "Held for Sale"	1,314	-	-	-
Disposal Group Assets "Held for Sale"				
None				
TOTAL NON CURRENT ASSETS CLASSIFIED AS "HELD FOR SALE"	1,314	-	-	-

(ii) Details of Assets & Disposal Groups

Council has made a decision to sell four parcels of land and a building. Land parcels include:

193 Island Point Road, St Georges Basin; 7 Orsova Parade, Orient Point; 50 Shoalhaven Heads Rd, Shoalhaven Heads and the Nowra Youth Centre which includes the Youth Centre building.

\$ '000	Assets "Held for Sale"	
	2015	2014
(iii) Reconciliation of Non Current Assets "Held for Sale" & Disposal Groups - i.e. Discontinued Operations		
Opening Balance	-	-
plus New Transfers in:		
- Assets "Held for Sale"	1,314	-
Closing Balance of "Held for Sale"	1,314	-
Non Current Assets & Operations	1,314	-

Refer to Note 27 - Fair Value Measurement for fair value measurement information.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 23. Events occurring after the Reporting Date

\$ '000

Events that occur between the end of the reporting period (ending 30 June 2015) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable "authorised for issue" date relating to these General Purpose Financial Statements.

Accordingly, the "authorised for issue" date is 28/10/15.

Events that occur after the Reporting Period represent one of two types:

(i) Events that provide evidence of conditions that existed at the Reporting Period

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2015.

(ii) Events that provide evidence of conditions that arose after the Reporting Period

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2015 and which are only indicative of conditions that arose after 30 June 2015.

Council is unaware of any material or significant "non-adjusting events" that should be disclosed.

Note 24. Discontinued Operations

Council has not classified any of its Operations as "Discontinued".

Note 25. Intangible Assets

Intangible Assets represent identifiable non-monetary asset without physical substance.

Council is unaware of any control over Intangible Assets that warrant recognition in the Financial Statements, including either internally generated and developed assets or purchased assets.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

\$ '000

Council has legal/public obligations to make restore, rehabilitate and reinstate the following assets/operations:

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2015	2014
Waste Depot Remediation		2,091	1,992
Balance at End of the Reporting Period	10(a)	<u>2,091</u>	<u>1,992</u>

Under AASB 116 - Property, Plant & Equipment, where the use of an asset results in the obligation to dismantle or remove the asset and restore the site on which the asset stands, an estimate of such costs is required to be included in the cost of the asset.

An equivalent liability must be recognised under AASB 137 - Provisions, Contingent Liabilities and Contingent Assets.

The provision has been calculated by determining the present value of the future expenditures expected to be incurred. The discount rate used is the risk free borrowing rate applicable to Council.

Reconciliation of movement in Provision for year:

Balance at beginning of year	1,992	1,882
Amortisation of discount (expensed to borrowing costs)	99	110
Total - Reinstatement, rehabilitation and restoration provision	<u>2,091</u>	<u>1,992</u>

Amount of Expected Reimbursements

Of the above Provisions for Reinstatement, Rehabilitation and Restoration works, those applicable to Garbage Services & Waste Management are able to be funded through future charges incorporated within Council's Annual Domestic Waste Management Charge.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement

\$ '000

The Council measures the following asset and liability classes at fair value on a recurring basis:

- Infrastructure, Property, Plant and Equipment
- Investment Property
- Financial Assets & Liabilities

During the reporting period, Council has also fair value measured the following assets on a non-recurring basis:

- Non Current Assets classified as "Held for Sale"
- Discontinued Operations

The fair value of assets and liabilities must be estimated in accordance with various Accounting Standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a "level" in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The valuation techniques prescribed by AASB 13 can be summarised as:

Cost Approach: A valuation technique that reflects the amount what would be required to replace the service capacity of an asset (current replacement cost).

Income Approach: Valuation technique that converts future amounts (cash flows inflows/outflows) to signal the current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about these future amounts.

Market Approach: A valuation technique that uses prices and other relevant information, generated by market transactions involving identical or comparable (similar) assets, liabilities or a group of assets and liabilities such as a business.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

(1) The following table presents all assets and liabilities that have been measured & recognised at fair values:

2015	Date of latest Valuation	Fair Value Measurement Hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring Fair Value Measurements					
Financial Assets					
Investments					
- "Held for Trading"	30/06/15	-	-	20,664	20,664
Total Financial Assets		-	-	20,664	20,664
Investment Properties					
Shops, 37-43 Kinghorne Street, Nowra	30/06/15	-	1,435	-	1,435
Total Investment Properties		-	1,435	-	1,435
Infrastructure, Property, Plant & Equipment					
Plant & Equipment	30/06/15	-	-	31,712	31,712
Office Equipment	30/06/15	-	-	5,466	5,466
Furniture & Fittings	30/06/15	-	-	499	499
Plant & Equipment (under Finance Lease)	30/06/15	-	-	-	-
Operational Land	30/06/13	-	-	128,496	128,496
Community Land	30/06/11	-	-	100,876	100,876
Land under Roads	30/06/14	-	-	3,913	3,913
Land Improvements - non depreciable	30/06/11	-	-	78,353	78,353
Land Improvements - depreciable	30/06/11	-	-	17,183	17,183
Buildings - Non Specialised	30/06/14	-	2,465	-	2,465
Buildings - Specialised	30/06/14	-	-	199,739	199,739
Other Structures	30/06/11	-	-	21,726	21,726
Roads	30/06/15	-	-	703,029	703,029
Bridges	30/06/15	-	-	65,476	65,476
Footpaths	30/06/15	-	-	46,964	46,964
Bulk Earthworks (non-depreciable)	30/06/15	-	-	102,167	102,167
Stormwater Drainage	30/06/15	-	-	107,958	107,958
Water Supply Network	30/06/15	-	-	349,633	349,633
Sewerage Network	30/06/15	-	-	452,120	452,120
Swimming Pools	30/06/11	-	-	8,945	8,945
Other Open Space / Recreational Assets	30/06/11	-	-	11,336	11,336
Other Infrastructure	30/06/11	-	-	70,650	70,650
Library Books	30/06/15	-	-	844	844
Tip Asset	30/06/12	-	-	230	230
Total Infrastructure, Property, Plant & Equipment		-	2,465	2,507,315	2,509,780

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

(1) The following table presents all assets and liabilities that have been measured & recognised at fair values (continued)

2014	Date of latest Valuation	Fair Value Measurement Hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring Fair Value Measurements					
Financial Assets					
Investments					
- "At Fair Value through profit or loss"	30/06/14	-	-	6,482	6,482
Total Financial Assets		-	-	6,482	6,482
Investment Properties					
Shops, 37-43 Kinghorne Street, Nowra	30/06/14	-	1,435	-	1,435
Total Investment Properties		-	1,435	-	1,435
Infrastructure, Property, Plant & Equipment					
Plant & Equipment	30/06/13	-	-	30,577	30,577
Office Equipment	30/06/13	-	-	5,061	5,061
Furniture & Fittings	30/06/13	-	-	484	484
Operational Land	30/06/13	-	-	127,330	127,330
Community Land	30/06/11	-	-	100,791	100,791
Land under Roads	30/06/14	-	-	3,913	3,913
Land Improvements	30/06/11	-	-	158,533	158,533
Buildings - Non Specialised	30/06/14	-	3,282	-	3,282
Buildings - Specialised	30/06/14	-	-	202,268	202,268
Other Structures	30/06/11	-	-	17,512	17,512
Roads	30/06/10	-	-	656,120	656,120
Bridges	30/06/10	-	-	50,251	50,251
Footpaths	30/06/10	-	-	28,606	28,606
Bulk Earthworks (non-depreciable)	30/06/10	-	-	63,139	63,139
Stormwater Drainage	30/06/10	-	-	115,654	115,654
Water Supply Network	30/06/14	-	-	340,810	340,810
Sewerage Network	30/06/14	-	-	439,832	439,832
Swimming Pools	30/06/11	-	-	3,324	3,324
Library Books		-	-	823	823
Tip Asset	30/06/12	-	-	258	258
Total Infrastructure, Property, Plant & Equipment		-	3,282	2,345,286	2,348,568

(2) Transfers between Level 1 & Level 2 Fair Value Hierarchies

During the year, there were no transfers between Level 1 and Level 2 Fair Value hierarchies for recurring fair value measurements.

Shoalhaven City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (ie. Level 1 inputs) Council instead utilises a spread of both observable inputs (Level 2 inputs) and unobservable inputs (Level 3 inputs).

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

Financial Assets

Investment - "At fair value through profit or loss" is represented by: Macquarie Investment Managed Fund, Floating Rate Notes, Government Bonds and Collateral Debt Obligations. Council obtains valuations from its Safe Custody Operations on a monthly basis and at the end of each reporting period to ensure that the financial statements reflect the most up-to-date valuation.

There has been no change to the valuation process during the reporting period.

Investment Properties

Council obtains independent valuations at least every three (3) years for all investment properties. The last full valuation was undertaken by Mr Peter Adlington, AAPI, of Walsh and Monaghan Pty Ltd as at 30 June 2013. A desktop valuation was completed as at 30 June 2015.

The valuation has been determined by the "capitalisation of net income" approach whereas the net market rental of the property is capitalised at an appropriate market rate determined from the analysis of comparable sales. This result was compared to the "rate per square metre of building area" method of similar building sales.

There has been no change to the valuation process during the reporting period.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

Infrastructure, Property, Plant & Equipment

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

Examples of assets within these classes are as follows:

- Plant and Equipment - Graders, trucks, rollers, tractors and motor vehicles.
- Office Equipment - Computers, photocopiers, calculators etc.
- Furniture & Fittings - Chairs, desks and display boards.

There has been no change to the valuation process during the reporting period.

Operational Land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input to the valuation is the price per square metre. The last valuation was undertaken by Mr Adam Hopcroft AAPI, of Walsh and Monaghan Pty Ltd effective 30 June 2013.

Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset, rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset, the remaining useful life and condition of the asset; and cash flows from the future use and disposal.

There has been no change to the valuation process during the reporting period.

Community Land

Valuations of all Council's Community Land and Council managed land were based on either the land values provided by the Valuer-General or an average unit rate based on the land values for similar properties where the Valuer-General did not provide a land value having regard to the highest and best use for this land. As these rates were not considered to be observable market evidence they have been classified as level 3.

There has been no change to the valuation process during the reporting period.

Land Under Roads

Council has elected to recognise Land Under Roads where the road was acquired on or after 1 July 2008. 'Land under Roads' have been valued using the square metres rates applicable for nearby or adjacent Community Land having regard to the highest and best use for this land.

There has been no change to the valuation process during the reporting period.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

Land Improvements - depreciable and non-depreciable

This asset class comprises land improvements such as spectator mounds, swales, berms, gardens, mulched areas, streetscaping and landscaping. These assets may be located on parks, reserves and also within road reserves. 'Land Improvements' were valued in-house using the cost approach by experienced Council engineers and asset management staff.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having been valued using level 3 valuation inputs.

There has been no change to the valuation process during the reporting period.

Buildings – Non specialised and Specialised

The fair value of buildings were determined by independent valuer, Scott Fullerton Valuations Pty Ltd effective 30 June 2014. Where there is a market for Council building assets, fair value has been derived from the sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach were price per square metre.

Where Council buildings are of a specialist nature and there is no active market for the assets, fair value has been determined on the basis of replacement with a new asset having similar service potential including allowances for preliminaries and professional fees. The gross current values have been derived from reference to market data for recent projects and costing guides issued by the Australian Institute of Quantity Surveyors, Rawlinson's (Australian Construction Handbook). Where a depth in market can be identified, the net current value of a building asset is the difference between the market value of the asset as a whole (including land) and the market value of the land component. Where there is no depth of market, the net current value of a building asset is the gross current value less accumulated depreciation to reflect the consumed or expired service potential of the asset.

In determining the level of accumulated depreciation the asset has been disaggregated into significant components which exhibit useful lives. Allowance has been made for the typical asset life cycle and renewal treatments of each component, residual value at the time the asset is considered to be no longer available for use and the condition of the asset. Condition was assessed taking into account both physical characteristics as well as holistic factors such as functionality, capability, utilisation and obsolescence.

There has been no change to the valuation process during the reporting period.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

Other Structures

This asset class comprises Boardwalks, Viewing platforms, Floodlighting Systems, and Pedestrian bridges.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having been valued using level 3 valuation inputs.

There has been no change to the valuation process during the reporting period.

Roads

Roads comprise road carriageway, roadside shoulders & kerb & gutter. The cost approach using level 3 inputs was used to value this asset class. Valuations for this asset class were undertaken in-house based on actual costs and assumptions from Council's Engineering Department. No market based evidence (level 2) inputs are available therefore level 3 valuation inputs were used for this asset class.

The last full valuation of road infrastructure was undertaken effective 30 June 2015.

There has been no change to the valuation process during the reporting period.

Bridges

The last full valuation of bridges was undertaken effective 30th June 2015.

Each bridge was assessed individually, with the valuation varying according to the material type used for construction, the deck area, condition and size. Construction estimates were determined on a similar basis to roads.

There has been no change to the valuation process during the reporting period.

Stormwater Drainage

Assets within this class comprise pits, pipes, open channels, headwalls and various types of water quality devices.

The cost approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported from market evidence (level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets.

There has been no change to the valuation process during the reporting period.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

Water Supply Network

Assets within this class comprise treatment works, pumping stations and, sewerage mains.

The cost approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (level 2) other inputs (such as estimates of pattern of consumption and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water (Department of Primary Industries). According to this manual, the calculation of reference rates is based on "*competitive contract prices obtained by NSW Public Works for water supply and sewerage projects within NSW, supplemented by published rates for water supply, sewerage and stormwater works and also rates obtained from a number of Local Water Utilities and other agencies*".

There has been no change to the valuation process during the reporting period.

Sewerage Network

Assets within this class comprise treatment works, pumping stations and, sewerage mains.

The cost approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (level 2) other inputs (such as estimates of pattern of consumption and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water (Department of Primary Industries). According to this manual, the calculation of reference rates is based on "*competitive contract prices obtained by NSW Public Works for water supply and sewerage projects within NSW, supplemented by published rates for water supply, sewerage and stormwater works and also rates obtained from a number of Local Water Utilities and other agencies*".

There has been no change to the valuation process during the reporting period.

Swimming Pools

Assets within this class comprise Council's rock pools, outdoor swimming pools and indoor swimming pools (component of Aquatic Centre). The swimming pools were valued in-house by experienced staff in Council's Engineering Department using the cost approach. The approach estimated the replacement cost for each pool by componentising its significant parts.

While some elements of gross replacement values may be supported from market evidence (level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

There has been no change to the valuation process during the reporting period.

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

Other Open Space / Recreational Assets

Assets within this class include playground equipment, BBQs and outdoor fitness facilities. These were valued in-house by experienced staff in Council's Engineering Department using the cost approach. The approach estimated the replacement cost for asset by componentising its significant parts. While some elements of gross replacement values may be supported from market evidence (level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

There has been no change to the valuation process during the reporting period.

Other Infrastructure

Assets within this class include jetties, boat ramps, sea/rock/retaining walls. These were valued in-house by experienced staff in Council's Engineering Department using the cost approach. The approach estimated the replacement cost for asset by componentising its significant parts. While some elements of gross replacement values may be supported from market evidence (level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

There has been no change to the valuation process during the reporting period.

Library Books

Library Books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value.

There has been no change to the valuation process during the reporting period.

Shoalhaven City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (Level 3)

a. The following tables present the changes in Level 3 Fair Value Asset Classes.

	Investments
Opening Balance - 1/7/13	2,217
Purchases (GBV)	4,214
Disposals (WDV)	(92)
FV Gains - Income Statement ¹	143
Closing Balance - 30/6/14	<u>6,482</u>
Purchases (GBV)	14,829
Disposals (WDV)	(677)
FV Gains - Income Statement ¹	30
Closing Balance - 30/6/15	<u>20,664</u>

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (Level 3) (continued)

b. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various Level 3 Asset Class fair values.

Class	Fair Value (30/6/15) \$'000	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
Financial Assets				
Investments		<ul style="list-style-type: none"> Unit Price 	\$0 to \$1.07	Significant changes in the estimated unit price would result in significant changes to fair value.
I,PP&E				
Plant & Equipment		<ul style="list-style-type: none"> Gross Replacement Cost Remaining useful life Residual value 	<ul style="list-style-type: none"> Varies significantly from asset to asset 1 - 15 years 0% - 40% 	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement
Office Equipment		<ul style="list-style-type: none"> Gross Replacement Cost Remaining useful life Residual value 	<ul style="list-style-type: none"> Varies significantly from asset to asset 1 - 20 years 0% - 5% 	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement
Furniture & Fittings		<ul style="list-style-type: none"> Gross Replacement Cost Remaining useful life Residual value 	<ul style="list-style-type: none"> Varies significantly from asset to asset 1 - 20 years 0% - 10% 	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement
Operational Land		<ul style="list-style-type: none"> Land value (price per square metre) 	<ul style="list-style-type: none"> \$0.50 - \$25 (per square metre) 	Significant changes in the price per square metre based on the unimproved capital value would result in significant changes to fair value measurement

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (Level 3) (continued)

b. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value (continued)

Class	Fair Value (30/6/15) \$'000	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
I, PP&E (continued)				
Community Land		<ul style="list-style-type: none"> Land value (price per square metre) 	<ul style="list-style-type: none"> \$0.50 - \$25 (per square metre) 	Significant changes in the price per square metre based on the unimproved capital value would result in significant changes to fair value measurement
Land Improvements and Other Infrastructure		<ul style="list-style-type: none"> Gross Replacement Cost Remaining useful life Residual value Asset Condition 	<ul style="list-style-type: none"> Varies significantly from asset to asset 25 - 100 years 40% - 80% Poor to excellent 	Any change in the gross replacement cost, asset condition, remaining useful life and residual value, will increase or decrease the fair value of the land improvements
Buildings - Specialised		<ul style="list-style-type: none"> Gross Replacement Cost Remaining useful life Residual value Asset Condition 	<ul style="list-style-type: none"> Varies significantly from asset to asset 5 - 100 years 0% - 70% Poor to excellent 	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement
Other Structures		<ul style="list-style-type: none"> Gross Replacement Cost Remaining useful life Residual value Asset Condition 	<ul style="list-style-type: none"> Varies significantly from asset to asset 5 - 80 years 0% - 60% Poor to excellent 	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement
Roads		<ul style="list-style-type: none"> Gross Replacement Cost Remaining useful life Residual value Asset Condition 	<ul style="list-style-type: none"> Varies significantly from asset to asset 5 - 80 years 0% - 60% Poor to excellent 	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement
Bridges		<ul style="list-style-type: none"> Gross Replacement Cost Remaining useful life Residual value Asset Condition 	<ul style="list-style-type: none"> Varies significantly from asset to asset 10 - 60 years 10% - 40% Poor to excellent 	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement

Shoalhaven City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (Level 3) (continued)

b. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value (continued)

Class	Fair Value (30/6/15) \$'000	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
I, PP&E (continued)				
Footpaths		<ul style="list-style-type: none"> Gross Replacement Cost Remaining useful life Residual value Asset Condition 	<ul style="list-style-type: none"> Varies significantly from asset to asset 5 - 100 years 0% - 50% Poor to excellent 	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement
Stormwater Drainage		<ul style="list-style-type: none"> Gross Replacement Cost Remaining useful life Residual value Asset Condition 	<ul style="list-style-type: none"> Varies significantly from asset to asset 0 - 80 years 0% - 70% Poor to excellent 	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement
Water Supply Network		<ul style="list-style-type: none"> Gross Replacement Cost Remaining useful life 	<ul style="list-style-type: none"> Varies significantly from asset to asset 5 - 100 years 	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life would result in significant changes to fair value measurement
Sewerage Network	439,832	<ul style="list-style-type: none"> Gross Replacement Cost Remaining useful life 	<ul style="list-style-type: none"> Varies significantly from asset to asset 3 - 100 years 	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life would result in significant changes to fair value measurement
Swimming Pools - Other Open Space / Recreational Assets		<ul style="list-style-type: none"> Gross Replacement Cost Remaining useful life Residual value Asset Condition 	<ul style="list-style-type: none"> Varies significantly from asset to asset 5 - 60 years 0% - 50% Poor to excellent 	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement
Library Books		<ul style="list-style-type: none"> Gross Replacement Cost Remaining useful life Residual value Asset Condition 	<ul style="list-style-type: none"> Varies significantly from asset to asset 5 - 15 years 0% - 10% Poor to excellent 	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement

(5). Highest and best use

All of Council's non financial assets are considered as being utilised for their highest and best use.

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SHOALHAVEN CITY COUNCIL
Independent Audit Report to the Council
General Purpose Financial Statements for the Year ended 30 June 2015

Report on the Financial Report

We have audited the general purpose financial statements of Shoalhaven City Council, which comprises the Statement of Financial Performance as at 30 June 2015, Statement by Councillors and Management, and the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Council's Responsibilities for the Financial Statements

Council is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the statutory requirements under the Local Government Act, 1993, and for such internal control that Council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on the financial statements based on our audit. Our audit responsibility does not extend to the Original Budget figures disclosed in the Income Statement and Cash Flow Statement, Notes 2(a), and 16 to the financial statements, estimated expenditure in Note 17, additional Council disclosure notes, nor the attached Special Schedules. Accordingly, no opinion is expressed on these matters.

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Shoalhaven City Council as of 30 June 2015 and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

Report on Other Legal and Regulatory Requirements

Council's Responsibilities for compliance with other legal and regulatory requirements

Council is responsible for ensuring compliance with the accounting and reporting requirements of Division 2 of Part 3, Chapter 12 of the Local Government Act, 1993. This responsibility includes maintaining such accounting records as are necessary to correctly record and explain its financial transactions and its financial position, and to facilitate convenient and proper auditing of its financial statements.

Auditor's Responsibilities under Section 417(2) of the Local Government Act, 1993

Our responsibility is to report on Council's compliance with the accounting and reporting requirements of the Local Government Act, 1993 and Local Government (General) Regulation 2005.

Auditors' Opinion on other legal and regulatory requirements

In our opinion:

- (a) The Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13, Part 3, Division 2 and the Local Government (General) Regulation 2005; and
- (b) the Council's general purpose financial statements
 - i) have been prepared in accordance with the requirements of this Division and Regulation;
 - ii) are consistent with the Council's accounting records;
 - iii) present fairly the Council's financial position and the results of its operations;
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that we have become aware of in the course of the audit.

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the financial statements of Shoalhaven City Council for the year ended 30 June 2015 included on Shoalhaven City Council's web site. The Council is responsible for the integrity of the Shoalhaven City Council's web site. We have not been engaged to report on the integrity of the Council's web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.


PITCHER PARTNERS


CARL MILLINGTON
Partner

Sydney, 28 October 2015

SHOALHAVEN CITY COUNCIL
INDEPENDENT AUDITORS' REPORT ON THE CONDUCT OF THE AUDIT
(Local Government Act, 1993 - Section 417 (1) and 417(3))
YEAR ENDED 30 JUNE 2015

Shoalhaven City Council has prepared general and special purpose financial reports for the year ended 30 June 2015 on which we issued separate audit reports to the Council dated 28 October 2015. This report has been prepared in accordance with the requirements of the Office of Local Government and the provisions of Sections 417 (1) and 417(3) of the Local Government Act, 1993.

We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the New South Wales Division of Local Government, or for any purpose other than that for which it was prepared.

Audit Conclusion

Our audit of the financial reports for the year ended 30 June 2015 resulted in unqualified independent audit reports for Council's General Purpose and Special Purpose Financial Statements.

Additional Audit Considerations and Comment

Income Statement

Summarised Income Statement

	2015 Actual \$'000	2015 Budget \$'000	* Budget Variance %	2014 Actual \$'000
Operating result	40,117	6,052	562.87%F	14,720
Operating result before capital revenue	8,871	(5,966)	248.69.%F	(1,784)
Rates & annual charges	111,460	112,056	0.53%U	107,053
Operating grants & contributions	20,178	19,079	5.76%F	14,671
Capital grants & contributions	31,246	12,018	159.99%F	16,544
Depreciation & amortisation	54,062	55,644	2.84%F	55,798

* Detailed explanations for material favourable (F) and unfavourable (U) budget variations are provided in Note 16 to the financial statements

Operating Result. Council's operating surplus increased significantly from \$14.720M in 2014 to \$40.117M for the current year. This compared with a budgeted surplus of only \$6.052M for 2015. The most significant variations on the previous year's results and current year's budget were:

- Operating grants and contributions increasing by \$5.500M from 2014 in accordance with the 2015 budget. The Financial Assistance Grant involved 4 quarterly payments in 2014/2015 whereas only 2 were received in 2013/2014 as the elimination of the advance instalments occurred ;
- Capital grants and contributions increasing by \$14.702M over 2014 and \$19.228M over the 2015 budget. This is largely the result of significant amounts for sewerage ("REMS") and water grants and contributions received in 2014/2015 as well as an economic development grant related to Albatross Technology Aviation Park.
- Expenses are in accordance with 2014. The 2015 budget figure for Materials and Consumables, which was significantly in excess of actual was an anomaly due to an elimination error in the budget.

Operating Result before Capital. The operating result before capital grants and contributions was a deficit of \$8.871M compared with the prior year deficit of \$1.824M. This compared with the original budget deficit of \$5.966M.

Rates and Annual Charges. Revenue from rates and annual charges increased to \$111.460M from \$107.053M in the prior year, and was within 1% of budget for the 2015 year.

Grants and Contributions. Operating grants and contributions for the year totaled \$20.178M and represented 8.70% (2014: 7.14%) of total income from continuing operations. This compares with the original budget of \$19.079M which reflected the receipt of all 4 quarterly instalments of the Financial Assistance Grant in 2015.

Capital grants and contributions amounted to \$31.246M (2014: 16.504M) and represented 13.5% (2014: 8.03%) of total income from continuing operations. This compares with the original budget of \$12.018M. The increase is largely related to amounts received from other levels of government for specific, major revenue projects such as the abovementioned sewer re-use scheme, and not increases in developer contributions.

Depreciation. Included in the operating result was \$54.062M (2014: \$55.798M) for the depreciation of infrastructure, property, plant and equipment which compared with the budget of \$55.644M. Depreciation represents 28.30% (2014: 29.25%; 2013: 28.35%) of total expenses and 23.39% (2014: 27.16%; 2013: 26.69%) of total income for the year. The stabilisation of this expense is expected given the last major asset category fair valued before 30 June 2015 was Buildings; which impacted depreciation from 2014. The 30 June 2015 fair valuation of roads and stormwater assets will not be reflected on the depreciation expense until the year to 30 June 2016.

Statement of Financial Position

Council's equity at 30 June 2015 amounted to \$2,569.847M (2014: \$2,380.374M) comprised of retained earnings, and reserves arising from revaluation of infrastructure assets in 2015 and prior years.

The most significant impact on equity for 2015 was the revaluation of the non-water and sewer infrastructure assets (roads and related assets and stormwater) which resulted in a \$137.849M increase in the asset base and reserve. Water and sewer assets indexation accounted for a further \$11.392M increase to the reserve, whilst the operating surplus was significant at \$40.117M

At balance date Council had not utilised any of its bank overdraft facility of \$400K.

Movements in Cash and Cash Equivalents

Summarised Statement of Cash Flows

Activities	2015 Actual \$'000	2015 Budget \$'000	* Budget Variance %	2014 Actual \$'000
Net cash flows from operations	78,265	63,672	22.92%F	70,245
Net cash flows from investing	(67,644)	(62,837)	7.65%U	(70,861)
Net cash flows from financing	(1,915)	3,748	151.09.%U	(2,854)
Net movement in cash	8,706	4,583		(3,470)

* Detailed explanations for material budget variations are provided in Note 16 to the financial statements

Council's cash and cash equivalent balances increased to a total of \$22.943M during the year, with \$78.265M being provided from operations, \$67.644M utilised in net investing activities for the acquisition and sale of financial assets and non-current assets, and \$1.915M being the excess of repayments over proceeds for borrowings/advances.

Total Investments and Cash Balances

Council's total cash and investments balance at 30 June 2015 was comprised of the following:

	2015 \$'000	2014 \$'000	2013 \$'000
Externally restricted cash	86,783	78,476	73,711
Internally restricted cash	34,816	28,881	22,409
Unrestricted cash	12,978	11,312	20,104
Total Cash, Cash Equivalents and Investments	134,577	118,669	116,224

The increase in externally restricted cash balances largely related to developer contributions for the general and water funds as well as specific unexpended grants.

The increase in internal restrictions largely relates to employee leave entitlements, strategic projects and property acquisition and critical asset compliance.

Performance Indicators and Trends

Prescribed performance indicators are included in Note 13 to the financial report and provide a comparison of the 2015 year results with prior years.

Operating performance ratio. At 6.16% this ratio is above NSW TCorps short-term benchmark and the Office of Local Government and TCorp's long-term expectation of break-even. The improvement over 2014 is largely due to the recognition of a full year's Financial Assistance Grant in 2015.

Own source operating revenue ratio. The ratio of 77.75% is a decrease from 2014 (84.73%) due to the Financial Assistance Grant however is well above the industry benchmark of 60% and indicates that Council's reliance on external funding sources is minimal.

Unrestricted Current Ratio. This ratio of 1.80:1 is an improvement from 2014 (1.39:1) and exceeds the industry benchmark of 1.50:1 established by TCorp.

Debt Service Cover Ratio. This ratio has improved to 5.02:1 from 4.12:1 in 2014 and remains above the TCorp industry benchmark of 2.00:1.

Rates and Annual Charges Outstanding Percentage. The amount of rates uncollected at year end expressed as a percentage of the total rates and annual charges collectible was 7.32% which is marginally unfavourable to 2014 (7.08%).

The ratio remains above the TCorp industry benchmark of 5%. Council expects an improvement in this ratio with council's decision to cease the non-pursuit of outstanding pensioner debtor amounts from 1 July 2015.

Cash expense cover ratio. This liquidity ratio indicates the number of months Council can continue paying for its immediate expenses without additional cash inflow. Council's ratio of 9.20 exceeds the TCorp industry benchmark of 3.00 and indicates that Council has sufficient liquidity to adequately fund its short-term operations.

Legislative Compliance

As a result of our audit we advise that no material deficiencies in the accounting records or financial reports have come to our attention during the conduct of the audit, and that Council's accounting records have been kept accurately and conscientiously and in accordance with requirements of the Local Government Act, 1993, and Regulations.

Council has complied with all statutory reporting requirements relating to Division 2 of Chapter 12 of the Local Government Act, 1993, the Code of Accounting Practice and Financial Reporting (Update 23), and other legislatively prescribed standards.

Conduct of the audit

During the conduct of our audit, a number of issues arose that required additional explanation and investigation, however we are able to report that all such issues have been appropriately attended to and there are no matters of audit significance, other than those already referred to in this report, that require mention in this or our statutory audit report.

We would like to commend the courteous and professional manner in which Council's staff has acted throughout the conduct of our audit, and their willingness to consider issues that we raised and assist us with our audit.


PITCHER PARTNERS


CARL MILLINGTON

Partner

Sydney, 28 October 2015

Shoalhaven City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2015

*We will work together in the Shoalhaven to foster
a safe and attractive community for people to live, work, stay and play;
where sustainable growth, development and environmental protection
are managed to provide a unique and relaxed lifestyle.*

Shoalhaven
City Council

Shoalhaven City Council

Special Purpose Financial Statements

for the financial year ended 30 June 2015

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Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division of Local Government in fulfilling their requirements under National Competition Policy.
 - (ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, State or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.
 - (iii) For Council, the principle of competitive neutrality & public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation and **(b)** those activities with a turnover of over \$2 million that Council has formally declared as a Business Activity (defined as Category 1 activities).
 - (iv) In preparing these financial statements for Council's self classified Category 1 businesses and ABS defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax equivalent regime payments & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).
-

Shoalhaven City Council

Special Purpose Financial Statements

for the financial year ended 30 June 2015

Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

The attached Special Purpose Financial Statements have been prepared in accordance with:

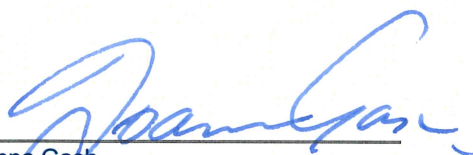
- The NSW Government Policy Statement "Application of National Competition Policy to Local Government".
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.
- The NSW Office of Water (Department of Environment, Climate Change and Water) Guidelines - "Best Practice Management of Water and Sewerage".

To the best of our knowledge and belief, these Financial Statements:

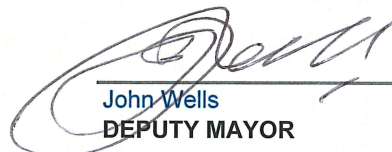
- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

We are not aware of any matter that would render these Statements false or misleading in any way.

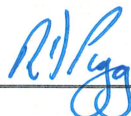
Signed in accordance with a resolution of Council made on 27/10/015.




Joanna Gash
MAYOR



John Wells
DEPUTY MAYOR



Russ Pigg
GENERAL MANAGER



Pamela Gokgur
RESPONSIBLE ACCOUNTING OFFICER

Shoalhaven City Council

Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2015

\$ '000	Actual 2015	Actual 2014
Income from continuing operations		
Access charges	4,095	4,072
User charges	16,206	16,275
Fees	-	-
Interest	2,300	2,330
Grants and contributions provided for non capital purposes	532	517
Profit from the sale of assets	-	105
Other income	496	311
Total income from continuing operations	23,629	23,610
Expenses from continuing operations		
Employee benefits and on-costs	5,492	5,700
Borrowing costs	22	52
Materials and contracts	3,559	3,706
Depreciation and impairment	7,727	6,989
Water purchase charges	-	-
Loss on sale of assets	793	-
Calculated taxation equivalents	100	100
Debt guarantee fee (if applicable)	-	-
Other expenses	2,247	2,341
Total expenses from continuing operations	19,940	18,888
Surplus (deficit) from Continuing Operations before capital amounts	3,689	4,722
Grants and contributions provided for capital purposes	3,766	876
Surplus (deficit) from Continuing Operations after capital amounts	7,455	5,598
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	7,455	5,598
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(1,107)	(1,417)
SURPLUS (DEFICIT) AFTER TAX	6,348	4,181
plus Opening Retained Profits	198,819	194,641
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	100	100
- Debt guarantee fees	-	-
- Corporate taxation equivalent	1,107	1,417
less:		
- Tax Equivalent Dividend paid	(100)	(100)
- Surplus dividend paid	(1,432)	(1,420)
Closing Retained Profits	204,842	198,819
Return on Capital %	1.0%	1.4%
Subsidy from Council	4,981	3,699
Calculation of dividend payable:		
Surplus (deficit) after tax	6,348	4,181
less: Capital grants and contributions (excluding developer contributions)	(2,178)	-
Surplus for dividend calculation purposes	4,170	4,181
Potential Dividend calculated from surplus	2,085	2,091

Shoalhaven City Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2015

\$ '000	Actual 2015	Actual 2014
Income from continuing operations		
Access charges	36,415	34,339
User charges	708	1,181
Liquid Trade Waste charges	337	342
Fees	1,687	1,533
Interest	577	504
Grants and contributions provided for non capital purposes	521	518
Profit from the sale of assets	-	-
Other income	219	169
Total income from continuing operations	40,464	38,586
Expenses from continuing operations		
Employee benefits and on-costs	9,781	9,098
Borrowing costs	2,700	3,008
Materials and contracts	6,190	5,915
Depreciation and impairment	7,699	10,431
Loss on sale of assets	2,177	54
Calculated taxation equivalents	203	202
Debt guarantee fee (if applicable)	-	-
Other expenses	3,631	3,737
Total expenses from continuing operations	32,381	32,445
Surplus (deficit) from Continuing Operations before capital amounts	8,083	6,141
Grants and contributions provided for capital purposes	13,917	1,087
Surplus (deficit) from Continuing Operations after capital amounts	22,000	7,228
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	22,000	7,228
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(2,425)	(1,842)
SURPLUS (DEFICIT) AFTER TAX	19,575	5,386
plus Opening Retained Profits	307,510	301,472
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	203	202
- Debt guarantee fees	-	-
- Corporate taxation equivalent	2,425	1,842
less:		
- Tax Equivalent Dividend paid	(142)	(139)
- Surplus dividend paid	(1,276)	(1,253)
Closing Retained Profits	328,295	307,510
Return on Capital %	2.3%	2.0%
Subsidy from Council	-	899
Calculation of dividend payable:		
Surplus (deficit) after tax	19,575	5,386
less: Capital grants and contributions (excluding developer contributions)	(12,490)	-
Surplus for dividend calculation purposes	7,085	5,386
Potential Dividend calculated from surplus	3,543	2,693

Shoalhaven City Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2015

\$ '000	Holiday Haven Tourist Parks		Bereavement Services	
	Category 1		Category 2	
	Actual 2015	Actual 2014	Actual 2015	Actual 2014
Income from continuing operations				
Access charges	-	-	-	-
User charges	19,502	18,399	1,508	1,297
Fees	-	-	-	-
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	11	-	-
Other income	941	911	13	6
Total income from continuing operations	20,443	19,321	1,521	1,303
Expenses from continuing operations				
Employee benefits and on-costs	693	632	689	616
Borrowing costs	336	319	17	25
Materials and contracts	6,671	6,160	218	154
Depreciation and impairment	2,106	2,557	209	196
Loss on sale of assets	87	-	-	-
Calculated taxation equivalents	8	8	5	6
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	4,395	4,213	254	248
Total expenses from continuing operations	14,296	13,889	1,392	1,245
Surplus (deficit) from Continuing Operations before capital amounts	6,147	5,432	129	58
Grants and contributions provided for capital purposes	1	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	6,148	5,432	129	58
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	6,148	5,432	129	58
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(1,844)	(1,630)	(39)	(17)
SURPLUS (DEFICIT) AFTER TAX	4,304	3,802	90	41
plus Opening Retained Profits	28,725	28,171	180	116
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	8	8	5	6
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	1,844	1,630	39	17
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	(4,878)	(4,886)	-	-
Closing Retained Profits	30,003	28,725	314	180
Return on Capital %	16.5%	15.3%	1.8%	1.0%
Subsidy from Council	-	-	654	730

Shoalhaven City Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2015

\$ '000	Mechanical Services		Electrical Services	
	Category 1		Category 1	
	Actual 2015	Actual 2014	Actual 2015	Actual 2014
Income from continuing operations				
Access charges	-	-	-	-
User charges	115	180	148	265
Fees	-	-	-	-
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	-	-
Other income	4,931	4,912	3,815	3,702
Total income from continuing operations	5,046	5,092	3,963	3,967
Expenses from continuing operations				
Employee benefits and on-costs	2,769	2,673	2,172	2,380
Borrowing costs	-	-	-	-
Materials and contracts	574	663	765	528
Depreciation and impairment	20	29	-	-
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	77	74	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	1,240	1,191	864	939
Total expenses from continuing operations	4,680	4,630	3,801	3,847
Surplus (deficit) from Continuing Operations before capital amounts	366	462	162	120
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	366	462	162	120
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	366	462	162	120
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(110)	(139)	(49)	(36)
SURPLUS (DEFICIT) AFTER TAX	256	323	113	84
plus Opening Retained Profits	1,416	1,018	425	306
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	77	74	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	110	139	49	36
add:				
- Subsidy Paid/Contribution To Operations	-	(138)	-	(1)
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	(58)	-
Closing Retained Profits	1,859	1,416	529	425
Return on Capital %	11.1%	13.6%	228.2%	153.8%
Subsidy from Council	-	-	-	-

Shoalhaven City Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2015

\$ '000	Shoalhaven Entertainment Centre		Aquatic Recreation Facilities	
	Category 2		Category 2	
	Actual 2015	Actual 2014	Actual 2015	Actual 2014
Income from continuing operations				
Access charges	-	-	-	-
User charges	1,085	1,055	3,587	3,569
Fees	-	-	-	-
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	-	-
Other income	97	48	-	-
Total income from continuing operations	1,182	1,103	3,587	3,569
Expenses from continuing operations				
Employee benefits and on-costs	1,024	1,035	3,472	3,251
Borrowing costs	473	506	5	-
Materials and contracts	666	618	1,066	1,021
Depreciation and impairment	664	554	977	1,074
Loss on sale of assets	-	-	6	-
Calculated taxation equivalents	-	63	38	27
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	265	286	1,840	1,957
Total expenses from continuing operations	3,092	3,062	7,404	7,330
Surplus (deficit) from Continuing Operations before capital amounts	(1,910)	(1,959)	(3,817)	(3,761)
Grants and contributions provided for capital purposes	-	-	450	-
Surplus (deficit) from Continuing Operations after capital amounts	(1,910)	(1,959)	(3,367)	(3,761)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	(1,910)	(1,959)	(3,367)	(3,761)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-	-
SURPLUS (DEFICIT) AFTER TAX	(1,910)	(1,959)	(3,367)	(3,761)
plus Opening Retained Profits	9,185	13,271	-	-
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	63	38	27
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	-	-	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	(2,190)	3,329	3,734
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
Closing Retained Profits	7,275	9,185	-	-
Return on Capital %	-4.8%	-4.8%	-11.8%	-14.2%
Subsidy from Council	4,409	4,486	7,055	6,402

Shoalhaven City Council

Statement of Financial Position - Council's Water Supply Business Activity

as at 30 June 2015

\$ '000	Actual 2015	Actual 2014
ASSETS		
Current Assets		
Cash and cash equivalents	6,676	4,486
Investments	17,667	17,845
Receivables	2,931	1,351
Inventories	865	-
Other	1,381	1,299
Non-current assets classified as held for sale	-	-
Total Current Assets	29,520	24,981
Non-Current Assets		
Investments	14,817	15,168
Receivables	857	803
Inventories	-	-
Infrastructure, property, plant and equipment	362,166	353,042
Investments accounted for using equity method	-	-
Investment property	-	-
Intangible Assets	-	-
Other	9,931	11,302
Total non-Current Assets	387,771	380,315
TOTAL ASSETS	417,291	405,296
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	2,593	1,240
Interest bearing liabilities	167	269
Provisions	-	-
Total Current Liabilities	2,760	1,509
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	6	174
Provisions	-	-
Total Non-Current Liabilities	6	174
TOTAL LIABILITIES	2,766	1,683
NET ASSETS	414,525	403,613
EQUITY		
Retained earnings	204,842	198,819
Revaluation reserves	209,683	204,794
Council equity interest	414,525	403,613
Non-controlling equity interest	-	-
TOTAL EQUITY	414,525	403,613

Shoalhaven City Council

Statement of Financial Position - Council's Sewerage Business Activity

as at 30 June 2015

\$ '000	Actual 2015	Actual 2014
ASSETS		
Current Assets		
Cash and cash equivalents	1,401	891
Investments	3,708	3,552
Receivables	12,393	2,844
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	17,502	7,287
Non-Current Assets		
Investments	3,109	3,014
Receivables	1,665	1,484
Inventories	-	-
Infrastructure, property, plant and equipment	469,201	456,748
Investments accounted for using equity method	-	-
Investment property	-	-
Intangible Assets	-	-
Other	-	-
Total non-Current Assets	473,975	461,246
TOTAL ASSETS	491,477	468,533
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	2,065	2,205
Interest bearing liabilities	4,529	4,203
Provisions	-	-
Total Current Liabilities	6,594	6,408
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	33,646	38,175
Provisions	-	-
Total Non-Current Liabilities	33,646	38,175
TOTAL LIABILITIES	40,240	44,583
NET ASSETS	451,237	423,950
EQUITY		
Retained earnings	328,295	307,510
Revaluation reserves	122,942	116,440
Council equity interest	451,237	423,950
Non-controlling equity interest	-	-
TOTAL EQUITY	451,237	423,950

Shoalhaven City Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2015

\$ '000	Holiday Haven Tourist Parks		Bereavement Services	
	Category 1		Category 2	
	Actual 2015	Actual 2014	Actual 2015	Actual 2014
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables	7,025	6,134	72	53
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	7,025	6,134	72	53
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	340	-	19
Inventories	111	-	-	-
Infrastructure, property, plant and equipment	39,314	37,497	7,996	8,125
Investment property	-	-	-	-
Intangible Assets	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	39,425	37,837	7,996	8,144
TOTAL ASSETS	46,450	43,971	8,068	8,197
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	1,348	1,053	438	445
Interest bearing liabilities	1,131	1,248	93	100
Provisions	-	-	-	-
Total Current Liabilities	2,479	2,301	531	545
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	6,826	5,803	66	159
Provisions	-	-	-	-
Other Liabilities	-	-	6,477	6,633
Total Non-Current Liabilities	6,826	5,803	6,543	6,792
TOTAL LIABILITIES	9,305	8,104	7,074	7,337
NET ASSETS	37,145	35,867	994	860
EQUITY				
Retained earnings	30,003	28,725	314	180
Revaluation reserves	7,142	7,142	680	680
Council equity interest	37,145	35,867	994	860
Non-controlling equity interest	-	-	-	-
TOTAL EQUITY	37,145	35,867	994	860

Shoalhaven City Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2015

\$ '000	Mechanical Services		Electrical Services	
	Category 1		Category 1	
	Actual 2015	Actual 2014	Actual 2015	Actual 2014
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables	345	307	490	444
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	345	307	490	444
Non-Current Assets				
Investments	-	-	-	-
Receivables	39	59	-	16
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	3,302	3,388	71	78
Investment property	-	-	-	-
Intangible Assets	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	3,341	3,447	71	94
TOTAL ASSETS	3,686	3,754	561	538
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	52	76	32	(7)
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Total Current Liabilities	52	76	32	(7)
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Other Liabilities	1,775	2,262	-	120
Total Non-Current Liabilities	1,775	2,262	-	120
TOTAL LIABILITIES	1,827	2,338	32	113
NET ASSETS	1,859	1,416	529	425
EQUITY				
Retained earnings	1,859	1,416	529	425
Revaluation reserves	-	-	-	-
Council equity interest	1,859	1,416	529	425
Non-controlling equity interest	-	-	-	-
TOTAL EQUITY	1,859	1,416	529	425

Shoalhaven City Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2015

\$ '000	Shoalhaven Entertainment Centre		Aquatic Recreation Facilities	
	Category 2		Category 2	
	Actual 2015	Actual 2014	Actual 2015	Actual 2014
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables	76	95	3,295	2,274
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	76	95	3,295	2,274
Non-Current Assets				
Investments	-	-	-	-
Receivables	29	6	4	22
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	29,716	30,331	32,426	26,411
Investment property	-	-	-	-
Intangible Assets	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	29,745	30,337	32,430	26,433
TOTAL ASSETS	29,821	30,432	35,725	28,707
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	358	229	653	271
Interest bearing liabilities	511	478	397	-
Provisions	-	-	-	-
Total Current Liabilities	869	707	1,050	271
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	5,802	6,312	4,045	-
Provisions	-	-	-	-
Other Liabilities	15,875	14,228	30,630	28,436
Total Non-Current Liabilities	21,677	20,540	34,675	28,436
TOTAL LIABILITIES	22,546	21,247	35,725	28,707
NET ASSETS	7,275	9,185	-	-
EQUITY				
Retained earnings	7,275	9,185	-	-
Revaluation reserves	-	-	-	-
Council equity interest	7,275	9,185	-	-
Non-controlling equity interest	-	-	-	-
TOTAL EQUITY	7,275	9,185	-	-

Shoalhaven City Council

Special Purpose Financial Statements

for the financial year ended 30 June 2015

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	14
2	Water Supply Business Best Practice Management disclosure requirements	17
3	Sewerage Business Best Practice Management disclosure requirements	19

Shoalhaven City Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Office of Local Government.

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in these special purpose financial statements, unless otherwise stated, have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB) &
- Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with:

- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are also prepared on an accruals basis, based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 Government Policy statement on the "Application of National Competition Policy to Local Government".

The "Pricing & Costing for Council Businesses A Guide to Competitive Neutrality" issued by the Office of Local Government in July 1997 has also been adopted.

The pricing & costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents; council subsidies; return on investments (rate of return); and dividends paid.

Declared Business Activities

In accordance with *Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

Category 1

(where gross operating turnover is over \$2 million)

a. Shoalhaven Water

Water Supply

b. Shoalhaven Water

Sewer Services

c. Holiday Haven Tourist Parks

Caravan Park Operations

d. Shoalhaven Mechanical Services

Mechanical Services

e. Electrical Technology Services

Electrical Services

f. Aquatic Recreation Facilities

Swimming Pools and Aquatic Centres

Category 2

(where gross operating turnover is less than \$2 million)

a. Bereavement Services

Cemetery and Crematorium Services

b. Shoalhaven Entertainment Centre

Venue for entertainment, hire and community activities

Monetary Amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest one thousand dollars, with the exception of some figures disclosed in Note 2 (Water Supply Best Practice Management Disclosures) and Note 3 (Sewerage Best Practice Management Disclosures).

Shoalhaven City Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Notes 2 and Note 3 are disclosed in whole dollars.

(i) Taxation Equivalent Charges

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where this is the case, they are disclosed in these statements as a cost of operations just like all other costs.

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council nominated business activities and are reflected in these financial statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all council nominated business activities (this does not include council's non-business activities):

Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first **\$432,000** of combined land values attracts **0%**. From \$432,001 to \$2,641,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,641,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$750,000.

Stamp Duty – If the amount secured by the mortgage is not more than \$16,000, the duty is \$5. If the amount secured by the mortgage is more than \$16,000 the duty is \$5 plus a further \$4 for every \$1,000, or part, by which the amount secured exceeds \$16,000.

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from Water Supply and Sewerage Business activities.

The payment of taxation equivalent charges, referred in the Best Practice Management of Water Supply

and Sewerage Guides to as a “Dividend for Taxation equivalent”, may be applied for any purpose allowed under the Local Government Act, 1993.

Achievement of substantial compliance against the guidelines for Best Practice Management of Water Supply and Sewerage is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income Tax

An income tax equivalent has been applied on the profits of each reported Business Activity.

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account of in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level (gain/(loss) from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income Tax is only applied where a positive gain/(loss) from ordinary activities before capital amounts has been achieved.

Since this taxation equivalent is notional - that is, it is payable to the “Council” as the owner of business operations, it represents an internal payment and has no effect on the operations of the council. Accordingly, there is no need for disclosure of internal charges in Council's General Purpose Financial Statements.

The rate applied of 30% is the equivalent company tax rate prevalent as at balance date. No adjustments have been made for variations that have occurred during the year.

Local Government Rates & Charges

A calculation of the equivalent rates and charges payable on all Category 1 businesses has been applied to all land assets owned or exclusively used by the Business Activity.

Shoalhaven City Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

Loan & Debt Guarantee Fees

The debt guarantee fee is designed to ensure that council business activities face “true” commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, council has determined what the differential borrowing rate would have been between the commercial rate and the council’s borrowing rate for its business activities.

(ii) Subsidies

Government policy requires that subsidies provided to customers and the funding of those subsidies must be explicitly disclosed.

Subsidies occur where council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for council to meet its community service obligations.

Accordingly, Subsidies disclosed (in relation to National Competition Policy) represents the difference between revenue generated from ‘rate of return’ pricing and revenue generated from prices set by the council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported Business Activity.

(iii) Return on Investments (Rate of Return)

The Policy statement requires that councils with Category 1 businesses “would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field”.

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

Written Down Value of I,PP&E as at 30 June

As a minimum, Water supply should generate a return equal to 2.4%, Sewer 2.2% and other business activities 10%.

The actual rate of return achieved by each Business Activity is disclosed at the foot of each respective Income Statement.

(iv) Dividends

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.

Local Government Water Supply and Sewerage Businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2015 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the NSW Office of Water prior to making the dividend and only after it has approved the payment.

(v) Asset Adjustments in Balance Sheet

A complete trial balance is not maintained for the following business activities:

- Holiday Haven Tourist Parks
- Bereavement Services
- Mechanical Services
- Electrical Services
- Shoalhaven Entertainment Centre
- Aquatic Recreation Facilities

The accounts that are maintained have been reported accordingly. Total assets are determined by reference to the accumulated surplus/(deficit) brought forward in the Income Statements by Business Activity and adjusted accordingly.

Shoalhaven City Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

Note 2. Water Supply Business Best Practice Management disclosure requirements

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2015

1. Calculation and Payment of Tax-Equivalents

[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

(i)	Calculated Tax Equivalents	100,398
(ii)	No of assessments multiplied by \$3/assessment	154,308
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	100,398
(iv)	Amounts actually paid for Tax Equivalents	99,507

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	2,085,150
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	1,442,682
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2015, less the cumulative dividends paid for the 2 years to 30 June 2014 & 30 June 2013	10,898,841

2015 Surplus	4,170,300	2014 Surplus	4,181,400	2013 Surplus	5,323,000
		2014 Dividend	1,420,000	2013 Dividend	1,355,859

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	1,442,682
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	1,432,503

3. Required outcomes for 6 Criteria

[To be eligible for the payment of a "Dividend from Surplus", ALL the Criteria below need a "YES"]

(i)	Completion of Strategic Business Plan (including Financial Plan)	YES
(ii)	Full Cost Recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
	- Complying charges [Item 2(b) in Table 1]	YES
	- DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
	- If Dual Water Supplies, Complying Charges [Item 2(g) in Table 1]	YES
(iii)	Sound Water Conservation and Demand Management implemented	YES
(iv)	Sound Drought Management implemented	YES
(v)	Complete Performance Reporting Form (by 15 September each year)	YES
(vi)	a. Integrated Water Cycle Management Evaluation	YES
	b. Complete and implement Integrated Water Cycle Management Strategy	YES

Shoalhaven City Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

Note 2. Water Supply Business Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2015

National Water Initiative (NWI) Financial Performance Indicators

NWI F1	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9) - Aboriginal Communities W&S Program Income (w10a)	\$'000	26,802
NWI F4	Revenue from Residential Usage Charges (Water) Income from Residential Usage Charges (w6b) x 100 divided by the sum of [Income from Residential Usage Charges (w6a) + Income from Residential Access Charges (w6b)]	%	74.01%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	357,012
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	13,002
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	10,275
NWI F17	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	1.68%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	-

- Notes:
1. References to w (eg. w12) refer to item numbers within Special Schedules No. 3 & 4 of Council's Annual Financial Statements.
 2. The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

Shoalhaven City Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

Note 3. Sewerage Business Best Practice Management disclosure requirements

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2015

1. Calculation and Payment of Tax-Equivalents

[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

(i)	Calculated Tax Equivalents	202,846
(ii)	No of assessments multiplied by \$3/assessment	141,756
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	141,756
(iv)	Amounts actually paid for Tax Equivalents	141,831

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	3,542,550
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	1,275,804
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2015, less the cumulative dividends paid for the 2 years to 30 June 2014 & 30 June 2013	14,684,225

2015 Surplus	7,085,100	2014 Surplus	5,385,700	2013 Surplus	4,709,100
		2014 Dividend	1,253,000	2013 Dividend	1,242,675

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	1,275,804
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	1,276,479

3. Required outcomes for 4 Criteria

[To be eligible for the payment of a "Dividend from Surplus", ALL the Criteria below need a "YES"]

(i)	Completion of Strategic Business Plan (including Financial Plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
	Complying charges	
	(a) Residential [Item 2(c) in Table 1]	YES
	(b) Non Residential [Item 2(c) in Table 1]	YES
	(c) Trade Waste [Item 2(d) in Table 1]	YES
	DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
	Liquid Trade Waste Approvals & Policy [Item 2(f) in Table 1]	YES
(iii)	Complete Performance Reporting Form (by 15 September each year)	YES
(iv)	a. Integrated Water Cycle Management Evaluation	YES
	b. Complete and implement Integrated Water Cycle Management Strategy	YES

Shoalhaven City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2015Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2015

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10) - Aboriginal Communities W&S Program Income (w10a)	\$'000	46,747
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	465,354
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	20,950
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	12,354
NWI F18	Economic Real Rate of Return (Sewerage) [Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	%	3.86%
NWI F27	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	8,502

**National Water Initiative (NWI) Financial Performance Indicators
Water & Sewer (combined)**

NWI F3	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000	70,579
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.49%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	22,629
NWI F19	Economic Real Rate of Return (Water & Sewerage) [Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets (w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100 divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10) + Plant & equipment (w33b + s34b)]	%	2.91%
NWI F20	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	2,709
NWI F21	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	13.04%

Shoalhaven City Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

Note 3. Sewerage Business Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2015

National Water Initiative (NWI) Financial Performance Indicators Water & Sewer (combined)

NWI F22	Net Debt to Equity (Water & Sewerage) Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]	%	-1.04%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): 24,168 Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10) - Gain/Loss on disposal of assets (w14 + s15) + Miscellaneous Expenses (w4b + w4c + s4b + s4c) Net Interest: - 155 Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		> 100
NWI F24	Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	20,773
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	1,053

- Notes:
1. References to w (eg. s12) refer to item numbers within Special Schedules No. 5 & 6 of Council's Annual Financial Statements.
 2. The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

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SHOALHAVEN CITY COUNCIL
Special Purpose Financial Report
Independent Auditors' Report to the Council for the Year ended 30 June 2015

Report on the Financial Statements of Council's Declared Business Activities

We have audited the accompanying financial statements, being special purpose financial statements, of Shoalhaven City Council's declared business activities, which comprises the statement of financial position as at 30 June 2015 and the income statement for the year then ended, a summary of significant accounting policies, and other explanatory notes and the Statement by Councillors and Management.

Council's Responsibilities for the Financial Statements

Council is responsible for the preparation and fair presentation of the financial statements and has determined that the accounting policies described in Note 1 to the financial statements which form part of the financial statements are appropriate to their needs. Council's responsibility also includes such internal controls as the Council determines are necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Opinion

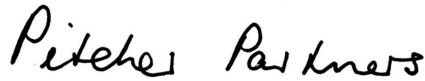
In our opinion, the financial statements present fairly, in all material respects, the financial position of Shoalhaven City Council as of 30 June 2015 and of its financial performance for the year then ended in accordance with the accounting policies described in Note 1 to the special purpose financial statements.

Basis of Accounting

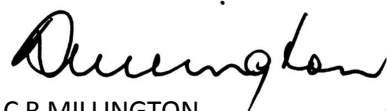
Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The special purpose financial statements have been prepared for distribution to the Council and the New South Wales Office of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. We disclaim any assumption of responsibility for any reliance on this audit report or on the financial statements to which it relates to any person other than the Council or the New South Wales Office of Local Government, or for any purpose other than that for which it was prepared.

Other Matter

Shoalhaven City Council has prepared a separate financial report for the year ended 30 June 2015 in accordance with Australian Accounting Standards and the Code of Accounting Practice and Financial Reporting on which we issued a separate auditor's report to the Council dated 28 October 2015.



PITCHER PARTNERS



C R MILLINGTON
Partner

Sydney, 28 October 2015

Shoalhaven City Council

SPECIAL SCHEDULES

for the year ended 30 June 2015

*We will work together in the Shoalhaven to foster
a safe and attractive community for people to live, work, stay and play;
where sustainable growth, development and environmental protection
are managed to provide a unique and relaxed lifestyle.*

Shoalhaven
City Council

Shoalhaven City Council

Special Schedules

for the financial year ended 30 June 2015

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¹ Special Schedules are not audited (with the exception of Special Schedule 9).

Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
 - the Australian Bureau of Statistics (ABS),
 - the NSW Office of Water (NOW), and
 - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of the financial activities of specific services.

Shoalhaven City Council

Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2015

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	1,670	6	-	(1,664)
Administration	31,441	2,703	6,449	(22,289)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	2,495	610	319	(1,566)
Beach Control	360	-	-	(360)
Enforcement of Local Govt. Regulations	1,005	858	-	(147)
Animal Control	553	467	-	(86)
Other	74	37	464	427
Total Public Order & Safety	4,487	1,972	783	(1,732)
Health	1,481	153	-	(1,328)
Environment				
Noxious Plants and Insect/Vermin Control	484	272	-	(212)
Other Environmental Protection	6,556	767	572	(5,217)
Solid Waste Management	22,883	25,165	237	2,519
Street Cleaning	105	-	-	(105)
Drainage	-	-	-	-
Stormwater Management	810	1,076	-	266
Total Environment	30,838	27,280	809	(2,749)
Community Services and Education				
Administration & Education	382	25	-	(357)
Social Protection (Welfare)	392	81	250	(61)
Aged Persons and Disabled	201	32	4	(165)
Children's Services	1,573	1,456	11	(106)
Total Community Services & Education	2,548	1,594	265	(689)
Housing and Community Amenities				
Public Cemeteries	1,200	1,523	-	323
Public Conveniences	1,170	-	-	(1,170)
Street Lighting	1,753	239	-	(1,514)
Town Planning	1,608	735	134	(739)
Other Community Amenities	-	3	-	3
Total Housing and Community Amenities	5,731	2,500	134	(3,097)
Water Supplies	18,590	22,076	1,184	4,670
Sewerage Services	18,997	39,531	10,335	30,869

Shoalhaven City Council

Special Schedule No. 1 - Net Cost of Services (continued)

for the financial year ended 30 June 2015

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	2,315	447	-	(1,868)
Museums	6	1	-	(5)
Art Galleries	614	81	64	(469)
Community Centres and Halls	2,396	711	709	(976)
Performing Arts Venues	2,257	697	-	(1,560)
Other Performing Arts	-	-	-	-
Other Cultural Services	33	45	-	12
Sporting Grounds and Venues	1,749	73	947	(729)
Swimming Pools	6,079	3,587	496	(1,996)
Parks & Gardens (Lakes)	4,814	169	115	(4,530)
Other Sport and Recreation	718	259	635	176
Total Recreation and Culture	20,981	6,070	2,966	(11,945)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	4,403	2,783	-	(1,620)
Other Mining, Manufacturing & Construction	-	-	-	-
Total Mining, Manufacturing and Const.	4,403	2,783	-	(1,620)
Transport and Communication				
Urban Roads (UR) - Local	10,216	2,491	429	(7,296)
Urban Roads - Regional	329	-	-	(329)
Sealed Rural Roads (SRR) - Local	6,983	-	3,268	(3,715)
Sealed Rural Roads (SRR) - Regional	1,552	229	1,589	266
Unsealed Rural Roads (URR) - Local	5,332	27	498	(4,807)
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	6	23	-	17
Bridges on SRR - Local	-	-	-	-
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	918	9	71	(838)
Footpaths	1,048	1	693	(354)
Aerodromes	-	-	-	-
Other Transport & Communication	4,187	554	462	(3,171)
Total Transport and Communication	30,571	3,334	7,010	(20,227)
Economic Affairs				
Camping Areas & Caravan Parks	12,562	19,634	-	7,072
Other Economic Affairs	6,707	933	1,311	(4,463)
Total Economic Affairs	19,269	20,567	1,311	2,609
Totals – Functions	191,007	130,569	31,246	(29,192)
General Purpose Revenues ⁽²⁾		69,309		69,309
Share of interests - joint ventures & associates using the equity method	-	-		-
NET OPERATING RESULT ⁽¹⁾	191,007	199,878	31,246	40,117

(1) As reported in the Income Statement

(2) Includes: Rates & Annual Charges (incl. Ex Gratia, excl. Water & Sewer), Non Capital General Purpose Grants, Interest on Investments (excl. Ext. Restricted Assets) & Interest on overdue Rates & Annual Charges

Shoalhaven City Council

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)

for the financial year ended 30 June 2015

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	8,699	57,933	66,632	7,722	8,700	-	-	4,031	8,798	56,856	65,654
Other	288	340	628	-	287	-	-	43	287	54	341
Total Loans	8,987	58,273	67,260	7,722	8,987	-	-	4,074	9,085	56,910	65,995
Other Long Term Debt											
Ratepayers Advances	32	122	154	81	34	-	-	8	36	165	201
Government Advances	766	1,692	2,458	70	767	-	-	67	362	1,399	1,761
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	798	1,814	2,612	151	801	-	-	75	398	1,564	1,962
Total Debt	9,785	60,087	69,872	7,873	9,788	-	-	4,149	9,483	58,474	67,957

Notes: Excludes (i) Internal Loans & (ii) Principal Inflows/Outflows relating to Loan Re-Financing.

This Schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

Shoalhaven City Council

Special Schedule No. 2(b) - Statement of Internal Loans [Section 410(3) LGA 1993]

for the financial year ended 30 June 2015

\$'000

Summary of Internal Loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (Principal & Interest)	Principal Outstanding at end of year
General	5,895	608	2,829
Water	-	-	-
Sewer	12,000	682	8,473
Domestic Waste Management	-	-	-
Gas	-	-	-
Other	-	-	-
Totals	17,895	1,290	11,302

Note: The summary of Internal Loans (above) represents the total of Council's Internal Loans categorised according to the borrower.

Details of Individual Internal Loans

Borrower (by purpose)	Lender (by purpose)	Date of Minister's Approval	Date Raised	Term (years)	Dates of Maturity	Rate of Interest	Amount Originally raised	Total repaid during year (Princ. & Int.)	Principal Outstanding at end of year
General Fund	Water Fund	11/06/2009	30/06/2009	10	30/06/2019	6.07%	5,895	608	2,829
Sewer Fund	Water Fund	11/06/2009	30/06/2009	15	30/06/2024	6.28%	12,000	682	8,473
Totals							17,895	1,290	11,302

Shoalhaven City Council

Special Schedule No. 3 - Water Supply Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2015

\$'000	Actuals 2015	Actuals 2014
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	4,273	4,564
b. Engineering and Supervision	1,829	1,611
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	151	140
b. Maintenance expenses	2	1
- Mains		
c. Operation expenses	1,291	1,167
d. Maintenance expenses	1,082	1,130
- Reservoirs		
e. Operation expenses	169	206
f. Maintenance expenses	99	65
- Pumping Stations		
g. Operation expenses (excluding energy costs)	118	90
h. Energy costs	788	899
i. Maintenance expenses	109	93
- Treatment		
j. Operation expenses (excluding chemical costs)	1,092	973
k. Chemical costs	611	533
l. Maintenance expenses	405	298
- Other		
m. Operation expenses	968	995
n. Maintenance expenses	-	78
o. Purchase of water	15	20
3. Depreciation expenses		
a. System assets	7,365	6,606
b. Plant and equipment	365	383
4. Miscellaneous expenses		
a. Interest expenses	22	52
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalents Dividends (actually paid)	100	100
5. Total expenses	20,854	20,004

Shoalhaven City Council

Special Schedule No. 3 - Water Supply Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2015

\$'000	Actuals 2015	Actuals 2014
Income		
6. Residential charges		
a. Access (including rates)	3,401	3,382
b. Usage charges	9,684	9,770
7. Non-residential charges		
a. Access (including rates)	691	689
b. Usage charges	5,485	5,500
8. Extra charges	-	-
9. Interest income	2,300	2,330
10. Other income	3,215	2,433
10a. Aboriginal Communities Water and Sewerage Program	-	-
11. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	532	517
c. Other grants	28	-
12. Contributions		
a. Developer charges	1,183	876
b. Developer provided assets	-	-
c. Other contributions	2,583	-
13. Total income	29,102	25,497
14. Gain (or loss) on disposal of assets	(793)	105
15. Operating Result	7,455	5,598
15a. Operating Result (less grants for acquisition of assets)	7,455	5,598

Shoalhaven City Council

Special Schedule No. 3 - Water Supply Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2015

\$'000	Actuals 2015	Actuals 2014
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	6,038	5,219
b. New Assets for Growth	6	3
c. Renewals	2,470	2,406
d. Plant and equipment	1,761	3,001
17. Repayment of debt		
a. Loans	270	481
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	10,545	11,110
Non-operating funds employed		
20. Proceeds from disposal of assets	644	448
21. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
22. Transfer from sinking fund	-	-
23. Totals	644	448
C Rates and charges		
24. Number of assessments		
a. Residential (occupied)	45,776	45,074
b. Residential (unoccupied, ie. vacant lot)	1,760	2,016
c. Non-residential (occupied)	3,714	3,792
d. Non-residential (unoccupied, ie. vacant lot)	186	185
25. Number of ETs for which developer charges were received	179 ET	133 ET
26. Total amount of pensioner rebates (actual dollars)	\$ 976,228	\$ 940,285

Shoalhaven City Council

Special Schedule No. 3 - Water Supply Cross Subsidies
for the financial year ended 30 June 2015

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
27. Annual charges			
a. Does Council have best-practice water supply annual charges and usage charges*?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
If Yes, go to 28a.			
If No, please report if council has removed land value from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 3.2 of Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy from residential customers using less than allowance (page 25 of Guidelines)			<input type="text"/>
c. Cross-subsidy to non-residential customers (page 24 of Guidelines)			<input type="text"/>
d. Cross-subsidy to large connections in unmetered supplies (page 26 of Guidelines)			<input type="text"/>
28. Developer charges			
a. Has council completed a water supply Development Servicing** Plan?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
b. Total cross-subsidy in water supply developer charges for 2014/15 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
29. Disclosure of cross-subsidies			
Total of cross-subsidies (27b +27c + 27d + 28b)			<input type="text" value="-"/>

* Councils which have not yet implemented best practice water supply pricing should disclose cross-subsidies in items 27b, 27c and 27d above.

However, disclosure of cross-subsidies is **not** required where a Council has implemented best practice pricing and is phasing in such pricing over a period of 3 years.

Shoalhaven City Council

Special Schedule No. 4 - Water Supply Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2015

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
30. Cash and investments			
a. Developer charges	1,000	11,001	12,001
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	23,343	3,816	27,159
31. Receivables			
a. Specific purpose grants	527	-	527
b. Rates and Availability Charges	341	157	498
c. User Charges	1,000	643	1,643
d. Other	1,063	57	1,120
32. Inventories	865	-	865
33. Property, plant and equipment			
a. System assets	-	357,012	357,012
b. Plant and equipment	-	5,154	5,154
34. Other assets	1,381	9,931	11,312
35. Total assets	29,520	387,771	417,291
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	2,593	-	2,593
38. Borrowings			
a. Loans	167	6	173
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
40. Total liabilities	2,760	6	2,766
41. NET ASSETS COMMITTED	26,760	387,765	414,525
EQUITY			
42. Accumulated surplus			204,842
43. Asset revaluation reserve			209,683
44. TOTAL EQUITY			414,525
Note to system assets:			
45. Current replacement cost of system assets			620,897
46. Accumulated current cost depreciation of system assets			(263,885)
47. Written down current cost of system assets			357,012

Shoalhaven City Council

Special Schedule No. 5 - Sewerage Service Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2015

\$'000	Actuals 2015	Actuals 2014
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	6,037	5,469
b. Engineering and Supervision	1,829	1,611
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	1,830	1,706
b. Maintenance expenses	315	264
- Pumping Stations		
c. Operation expenses (excluding energy costs)	1,991	1,975
d. Energy costs	657	741
e. Maintenance expenses	1,062	1,134
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	2,942	2,895
g. Chemical costs	276	209
h. Energy costs	667	714
i. Effluent Management	107	117
j. Biosolids Management	600	538
k. Maintenance expenses	1,020	765
- Other		
l. Operation expenses	1,602	1,608
m. Maintenance expenses	15	292
3. Depreciation expenses		
a. System assets	7,208	9,920
b. Plant and equipment	491	511
4. Miscellaneous expenses		
a. Interest expenses	2,700	3,008
b. Revaluation Decrements	-	-
c. Other expenses	97	8
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalent Dividends (actually paid)	142	139
5. Total expenses	31,588	33,624

Shoalhaven City Council

Special Schedule No. 5 - Sewerage Service Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2015

\$'000	Actuals 2015	Actuals 2014
Income		
6. Residential charges (including rates)	32,606	30,729
7. Non-residential charges		
a. Access (including rates)	3,424	3,239
b. Usage charges	1,687	1,533
8. Trade Waste Charges		
a. Annual Fees	52	56
b. Usage charges	283	286
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
9. Extra charges	1,123	1,468
10. Interest income	577	504
11. Other income	1,588	1,549
11a. Aboriginal Communities Water & Sewerage Program	-	-
12. Grants		
a. Grants for acquisition of assets	8,502	-
b. Grants for pensioner rebates	521	518
c. Other grants	48	-
13. Contributions		
a. Developer charges	1,425	1,087
b. Developer provided assets	-	-
c. Other contributions	3,990	-
14. Total income	55,826	40,969
15. Gain (or loss) on disposal of assets	(2,177)	(54)
16. Operating Result	22,061	7,291
16a. Operating Result (less grants for acquisition of assets)	13,559	7,291

Shoalhaven City Council

Special Schedule No. 5 - Sewerage Service Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2015

\$'000	Actuals 2015	Actuals 2014
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	8,125	5,163
b. New Assets for Growth	2,575	2,673
c. Renewals	886	3,297
d. Plant and equipment	768	1,913
18. Repayment of debt		
a. Loans	4,886	4,661
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	17,240	17,707
Non-operating funds employed		
21. Proceeds from disposal of assets	205	230
22. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
23. Transfer from sinking fund	-	-
24. Totals	205	230
C Rates and charges		
25. Number of assessments		
a. Residential (occupied)	42,619	42,676
b. Residential (unoccupied, ie. vacant lot)	1,760	1,831
c. Non-residential (occupied)	2,691	2,599
d. Non-residential (unoccupied, ie. vacant lot)	182	171
26. Number of ETs for which developer charges were received	171 ET	165 ET
27. Total amount of pensioner rebates (actual dollars)	\$ 947,749	\$ 941,063

Shoalhaven City Council

Special Schedule No. 5 - Sewerage Service Cross Subsidies
for the financial year ended 30 June 2015

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
28. Annual charges			
a. Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
If Yes, go to 29a.			
If No, please report if council has removed land value from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 4.2 & 4.3 of the Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy to non-residential customers (page 45 of Guidelines)			<input type="text"/>
c. Cross-subsidy to trade waste discharges (page 46 of Guidelines)			<input type="text"/>
29. Developer charges			
a. Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
b. Total cross-subsidy in sewerage developer charges for 2014/15 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
30. Disclosure of cross-subsidies			
Total of cross-subsidies (28b + 28c + 29b)			<input type="text" value="-"/>

* Councils which have not yet implemented best practice sewer pricing & liquid waste pricing should disclose cross-subsidies in items 28b and 28c above.

However, disclosure of cross-subsidies is **not** required where a Council has implemented best practice sewerage and liquid waste pricing and is phasing in such pricing over a period of 3 years.

Shoalhaven City Council

Special Schedule No. 6 - Sewerage Service Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2015

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges	-	-	-
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	5,109	3,109	8,218
32. Receivables			
a. Specific purpose grants	521	-	521
b. Rates and Availability Charges	2,420	1,374	3,794
c. User Charges	129	31	160
d. Other	9,323	260	9,583
33. Inventories	-	-	-
34. Property, plant and equipment			
a. System assets	-	465,354	465,354
b. Plant and equipment	-	3,847	3,847
35. Other assets	-	-	-
36. Total Assets	<u>17,502</u>	<u>473,975</u>	<u>491,477</u>
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	2,065	-	2,065
39. Borrowings			
a. Loans	4,529	33,646	38,175
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
41. Total Liabilities	<u>6,594</u>	<u>33,646</u>	<u>40,240</u>
42. NET ASSETS COMMITTED	<u>10,908</u>	<u>440,329</u>	<u>451,237</u>
EQUITY			
42. Accumulated surplus			328,295
44. Asset revaluation reserve			122,942
45. TOTAL EQUITY			<u>451,237</u>
Note to system assets:			
46. Current replacement cost of system assets			699,775
47. Accumulated current cost depreciation of system assets			(234,421)
48. Written down current cost of system assets			<u>465,354</u>

Shoalhaven City Council

Notes to Special Schedule No.'s 3 & 5 for the financial year ended 30 June 2015

Administration ⁽¹⁾

(item 1a of Special Schedules 3 and 5) comprises the following:

- Administration staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Meter reading.
- Bad and doubtful debts.
- Other administrative/corporate support services.

Engineering and supervision ⁽¹⁾

(item 1b of Special Schedules 3 and 5) comprises the following:

- Engineering staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Other technical and supervision staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.

Operational expenses (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

Maintenance expenses (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

Other expenses (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

Revaluation decrements (item 4b of Special Schedules 3 and 5) is to be used when I,PP&E decreases in FV.

Impairment Losses (item 4d & 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

Aboriginal Communities Water and Sewerage Program (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

Residential charges ⁽²⁾ (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a Access Charges (including rates if applicable) and 6b Usage Charges.

Non-residential charges ⁽²⁾ (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a Access Charges (including rates if applicable) and 7b Usage Charges.

Trade waste charges (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a Annual Fees, 8b Usage Charges and 8c Excess Mass Charges and 8d Re-inspection Fees.

Other income (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

Other contributions (items 12c and 13c of Special Schedules 3 and 5 respectively) incl. capital contributions for water supply or sewerage services received by Council under Section 565 of the Local Government Act.

Notes:

⁽¹⁾ Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).

⁽²⁾ To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

Shoalhaven City Council

Special Schedule No. 7 - Report on Infrastructure Assets

as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
						refer (4) & (5)				
Buildings	Council Offices / Administration Buildings	-	150	132	20,425	0%	100%	0%	0%	0%
	Council Works Depots	-	120	163	7,116	0%	5%	95%	0%	0%
	Council Public Halls	-	200	242	23,518	14%	43%	43%	0%	0%
	Libraries	-	103	81	4,276	25%	70%	5%	0%	0%
	Cultural Facilities	358	150	183	30,627	17%	33%	33%	17%	0%
	Other Buildings	3,463	1,600	1,555	113,777	6%	48%	42%	3%	1%
	Non Specialised Buildings	100	100	2	2,465	2%	40%	55%	2%	0%
	sub total	3,921	2,423	2,358	202,204	7.9%	49.4%	37.9%	4.5%	0.4%
Other Structures	Other Structures	200	150	85	21,726	20%	40%	35%	5%	0%
	sub total	200	150	85	21,726	20.0%	40.0%	35.0%	5.0%	0.0%
Roads	Sealed Roads Surface	6,200	2,000	1,866	7,606	34%	23%	38%	5%	0%
	Sealed Roads Structure	7,500	2,500	1,714	467,071	40%	30%	22%	8%	0%
	Unsealed Roads	2,000	1,400	1,377	5,181	40%	30%	22%	8%	0%
	Bridges	1,700	150	113	65,476	17%	7%	74%	1%	0%
	Bus Shelters	440	40	26	241	9%	45%	42%	3%	1%
	Footpaths	1,500	250	212	38,372	4%	79%	13%	3%	2%
	Cycle ways	-	30	10	8,592	5%	79%	13%	3%	0%
	Kerb and Gutter	2,400	350	755	215,789	24%	55%	20%	1%	0%
	Other Road Assets	630	400	413	7,141	10%	45%	42%	3%	0%
	sub total	22,370	7,120	6,486	815,469	31.3%	37.8%	25.5%	5.1%	0.3%

Shoalhaven City Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)

as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
						refer (4) & (5)				
Water Supply Network	Dams/Weirs	-	5	4						
	Mains	-	2,250	2,248						
	Reservoirs	-	210	206						
	Pumping Station/s	-	230	226						
	Treatment	-	840	842						
	Other	-	-	-	349,633	66%	34%	0%	0%	0%
	sub total	-	3,535	3,526	349,633	66.0%	34.0%	0.0%	0.0%	0.0%
Sewerage Network	Mains	-	550	554						
	Pumping Station/s	-	1,880	1,867						
	Treatment	-	1,790	1,793						
	Sewerage Network	-	480	26						
	Other	-	-	-	452,120	95%	5%	0%	0%	0%
	sub total	-	4,700	4,240	452,120	95.0%	5.0%	0.0%	0.0%	0.0%

Shoalhaven City Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)

as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
						refer (4) & (5)				
Stormwater Drainage	Other	1,850	1,520	1,496	107,958	9%	37%	53%	1%	0%
	sub total	1,850	1,520	1,496	107,958	8.5%	37.3%	53.2%	1.0%	0.0%
Open Space/ Recreational Assets	Swimming Pools	800	300	240	8,945	1%	57%	41%	1%	0%
	Other Open Space/ Recreational Assets	2,300	1,800	1,066	11,336	5%	35%	52%	7%	1%
	sub total	3,100	2,100	1,306	20,281	3.1%	44.8%	47.2%	4.4%	0.6%
Other Infrastructure	Depreciable Land Improvements	171	100	50	17,183	10%	40%	45%	5%	0%
	Other Infrastructure	707	250	120	70,650	10%	40%	45%	5%	0%
	sub total	878	350	170	87,833	10.0%	40.0%	45.0%	5.0%	0.0%

Shoalhaven City Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)

as at 30 June 2015

\$'000										
Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
						refer (4) & (5)				
	TOTAL - ALL ASSETS	32,319	21,898	19,667	2,057,224	46.4%	31.2%	19.4%	2.8%	0.2%

Notes:

- (1). Satisfactory is defined as "satisfying expectations or needs, leaving no room for complaint, causing satisfaction, adequate".
The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset to ensure that it is in a satisfactory standard.
This estimated cost should not include any planned enhancements (ie.to heighten, intensify or improve the facilities).
- (2). Required Annual Maintenance is "what should be spent to maintain assets in a satisfactory standard.
- (3). Actual Maintenance is what has been spent in the current year to maintain the assets.
Actual Maintenance may be higher or lower than the required annual maintenance due to the timing of when the maintenance actually occurs.
- (4). Written Down Value is in accordance with Note 9 of Council's General Purpose Financial Statements
- (5). **Infrastructure Asset Condition Assessment "Key"**

1	Excellent	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Average	Maintenance work required
4	Poor	Renewal required
5	Very Poor	Urgent renewal/upgrading required

Shoalhaven City Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
for the financial year ended 30 June 2015

\$ '000	Amounts 2015	Indicator 2015	Prior Periods	
			2014	2013
Infrastructure Asset Performance Indicators Consolidated				
1. Building, Infrastructure & Other Structures Renewals Ratio				
Asset Renewals				
<u>(Building, Infrastructure & Other Structures) ⁽¹⁾</u>	<u>26,730</u>	55.50%	56.51%	30.97%
Depreciation, Amortisation & Impairment	48,164			
2. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	<u>32,319</u>			
Total value ⁽²⁾ of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	<u>2,057,224</u>	1.57%	2.24%	2.09%
3. Asset Maintenance Ratio				
Actual Asset Maintenance	<u>19,667</u>			
Required Asset Maintenance	21,898	0.90	0.83	0.77
4. Capital Expenditure Ratio				
Annual Capital Expenditure	<u>67,347</u>			
Annual Depreciation	54,062	1.25	1.26	1.01

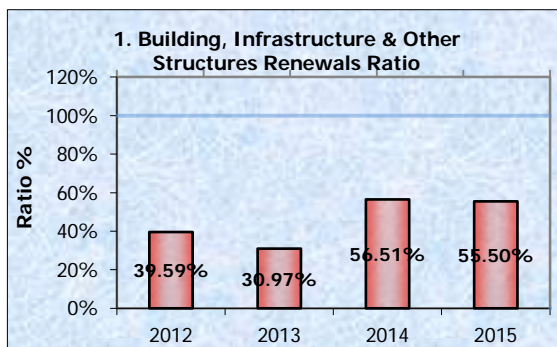
Notes

⁽¹⁾ Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building, infrastructure & Other Structure assets only.

⁽²⁾ Written Down Value

Shoalhaven City Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued) for the financial year ended 30 June 2015



Purpose of Asset Renewals Ratio

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

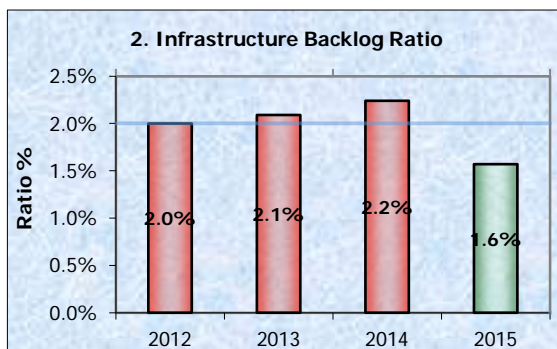
Commentary on 2014/15 Result

2014/15 Ratio 55.50%

Council is committed to asset renewal and this ratio is expected to improve in future years as Council will further allocated resources towards maintaining the service levels of existing asset.

Benchmark: ——— Minimum $\geq 100.00\%$
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

■ Ratio is within Benchmark
■ Ratio is outside Benchmark



Purpose of Infrastructure Backlog Ratio

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

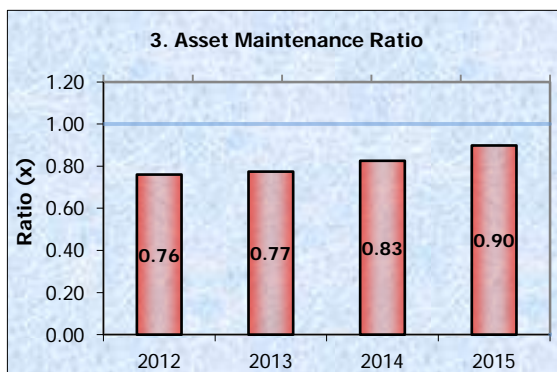
Commentary on 2014/15 Result

2014/15 Ratio 1.57%

Council's Infrastructure Backlog Ratio has been steady throughout the last 4 years and there has been an improvement in 2014/15. Council is continuing to focus on appropriate asset standards for renewal and maintenance.

Benchmark: ——— Maximum < 0.02
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

■ Ratio is within Benchmark
■ Ratio is outside Benchmark



Purpose of Asset Maintenance Ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the Infrastructure Backlog growing.

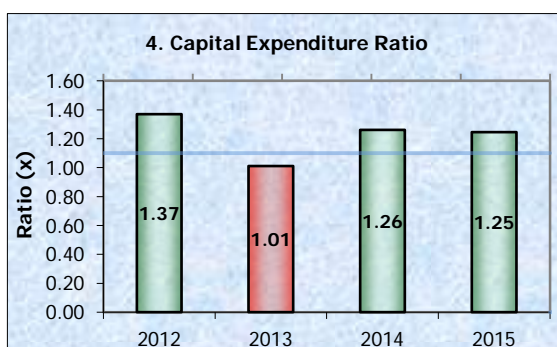
Commentary on 2014/15 Result

2014/15 Ratio 0.90 x

Council's Asset Maintenance Ratio of 0.90x is lower than the benchmark ratio of 'greater than 1.00x', which indicates that the level of expenditure on the maintenance of infrastructure assets is not sufficient to prevent the infrastructure backlog from growing. Council is committed to increase expenditure on asset maintenance in the future to stop the infrastructure backlog from growing.

Benchmark: ——— Minimum > 1.00
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

■ Ratio is within Benchmark
■ Ratio is outside Benchmark



Purpose of Capital Expenditure Ratio

To assess the extent to which a Council is expanding its asset base thru capital expenditure on both new assets and the replacement and renewal of existing assets.

Commentary on 2014/15 Result

2014/15 Ratio 1.25 x

Council's Capital Expenditure ratio of 1.25x is above the benchmark of 1.1x reflecting the significant capital expenditure program on new assets and the renewal of existing assets compared to their depreciation.

Benchmark: ——— Minimum > 1.10
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

■ Ratio is within Benchmark
■ Ratio is outside Benchmark

Shoalhaven City Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
for the financial year ended 30 June 2015

\$ '000	Water 2015	Sewer 2015	General ⁽¹⁾ 2015
Infrastructure Asset Performance Indicators By Fund			
1. Building, Infrastructure & Other Structures Renewals Ratio			
Asset Renewals (Building, Infrastructure & Other Structures) ⁽²⁾	42.24%	22.06%	65.42%
Depreciation, Amortisation & Impairment			
prior period:	49.07%	32.39%	66.62%
2. Infrastructure Backlog Ratio			
Estimated Cost to bring Assets to a Satisfactory Condition			
Total value ⁽³⁾ of Infrastructure, Building, Other Structures & Depreciable Land Improvement Assets	0.00%	0.00%	2.58%
prior period:	0.00%	0.00%	3.67%
3. Asset Maintenance Ratio			
Actual Asset Maintenance			
Required Asset Maintenance	1.00	0.90	0.87
prior period:	0.99	0.99	0.75
4. Capital Expenditure Ratio			
Annual Capital Expenditure			
Annual Depreciation	1.14	1.30	1.26
prior period:	1.48	1.22	1.23

Notes

(1) General Fund refers to all of Council's activities except for its Water & Sewer activities which are listed separately.

(2) Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building, infrastructure & Other Structure assets only.

(3) Written Down Value

Shoalhaven City Council

Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2016

\$'000		Calculation 2014/15	Calculation 2015/16
Notional General Income Calculation ⁽¹⁾			
Last Year Notional General Income Yield	a	55,342	56,717
Plus or minus Adjustments ⁽²⁾	b	191	189
Notional General Income	c = (a + b)	55,533	56,906
Permissible Income Calculation			
Special variation percentage ⁽³⁾	d	0.00%	3.89%
or Rate peg percentage	e	2.30%	2.40%
or Crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
less expiring Special variation amount	g	-	(34)
plus Special variation amount	h = d x (c-g)	-	2,212
or plus Rate peg amount	i = c x e	1,277	-
or plus Crown land adjustment and rate peg amount	j = c x f	-	-
sub-total	k = (c+g+h+i+j)	56,810	59,084
plus (or minus) last year's Carry Forward Total	l	30	123
less Valuation Objections claimed in the previous year	m	-	-
sub-total	n = (l + m)	30	123
Total Permissible income	o = k + n	56,840	59,207
less Notional General Income Yield	p	56,717	59,001
Catch-up or (excess) result	q = o - p	123	206
plus Income lost due to valuation objections claimed ⁽⁴⁾	r	-	20
less Unused catch-up ⁽⁵⁾	s	-	(8)
Carry forward to next year	t = q + r - s	123	218

Notes

- The Notional General Income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called "supplementary valuations" as defined in the Valuation of Land Act 1916.
- The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- Carry forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from councils' Special Schedule 9 in the Financial Data Return (FDR) to administer this process.

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SHOALHAVEN CITY COUNCIL

Special Schedule No. 9

Independent Auditors' Report to the Council for the Year ended 30 June 2016

Report on Special Schedule No. 9

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 9) of Shoalhaven City Council for the year ending 30 June 2016.

Responsibility of Council for Special Schedule No. 9

The Council is responsible for the preparation and fair presentation of Special Schedule No. 9 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 23. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 9 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibilities

Our responsibility is to express an opinion on Special Schedule No. 9 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 9 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 9. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 9, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 9.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 9 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

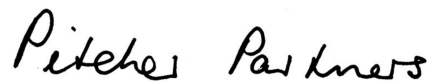
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Opinion

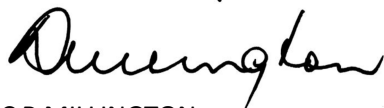
In our opinion, Special Schedule No. 9 of Shoalhaven City Council for the year ending 30 June 2016 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Basis of Accounting

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income for the year ending 30 June 2016 is presented fairly. As a result, the schedule may not be suitable for another purpose.



PITCHER PARTNERS



C R MILLINGTON
Partner

Sydney, 28 October 2015